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NATION'S BUSINESS



Wanted!

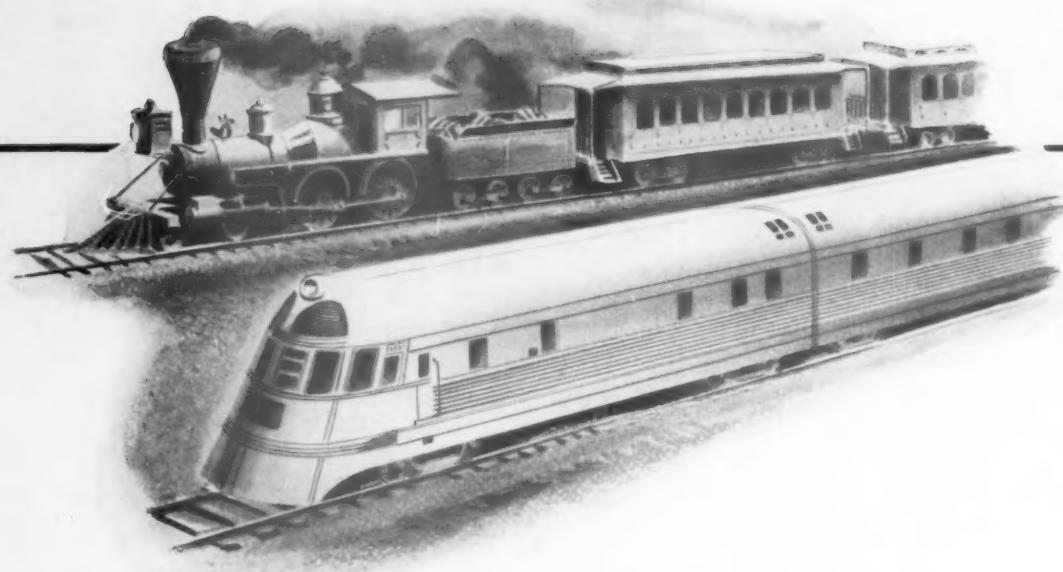
MAN WANTED—To join one million business men, to sell time-tested product in wide demand—an America-made product in business system. The work need not interfere with regular employment. Qualifications: Must have had business experience, no theorists need apply. Must have faith in American ideals. Must be loyal to democratic traditions. Must be honest and of passing on a valuable heritage to his sons and daughters.

YOUNG MEN (2), 25-35, energetic, hard workers, good health, good character, good family backgrounds.

See page 13

MAY
1938

Has the F.T.C. Become a New NRA? • Finding a Job at Fifty • Alien "Isms"
and American Education • The Morass of Federal Finances



MODERNIZED COMMUNICATION

runs more smoothly too!

The effortless speed of streamlined trains is due to modernized construction. Businesses run more smoothly, too, when they adopt up-to-date communication methods. Bell System representatives will help you modernize *your* communication system.

Their investigation may mean more to your business than you perhaps suppose. It may indicate that your present methods of communication between distant units are right and modern—and that's a reassuring thing to know. It may lead to unsuspected savings or new efficiencies in carrying on your business; for example, in order handling, shipping, production, or office management.

Whatever the conclusions, the survey costs you nothing. Similar analysis enabled a national flour milling company to co-ordinate the activities of its whole organization far more effectively, through a network of Private Line and Teletypewriter Exchange Services connecting its twenty-four offices over the country. Long Distance is used effectively between units and in dealings with customers.

Many businesses have found it profitable to review communication methods *periodically* with the help of Bell System representatives. Just call your local telephone company for similar assistance.



QUESTIONS our readers are asking:

- 1 • WHAT has the small business man done to preserve freedom of trade in America? **ANSWER ON PAGE 13**
- 2 • WILL the new powers of the Federal Trade Commission permit it to dictate my business policies? . . . **ON PAGE 15**
- 3 • DOES its new power give the Federal Trade Commission control over minimum wages and maximum hours? **ON PAGE 16**
- 4 • WHY is it impossible to tell the condition of the Government's financial situation? **ON PAGE 21**
- 5 • WILL my tax bill or electric bill be increased if flood control projects are turned into government operated electric power stations? . . . **ON PAGE 24**
- 6 • WHY did a Maryland survey show so many of our youth favoring increased regulation of business? . . . **ON PAGE 27**
- 7 • ARE employers actually prejudiced against middle-aged workers? **ON PAGE 29**
- 8 • HOW does a merchant determine that his customers will buy a new item? **ON PAGE 31**
- 9 • WILL a letter to your Congressman have much effect on his vote? **ON PAGE 42**
- 10 • HOW are business conditions in Canada compared with the United States? **ON PAGE 44**
- 11 • HOW much has the Railroad Valuation Act cost and are transportation charges any lower as a result? . . . **ON PAGE 52**
- 12 • IS it good business to start a business during a depression? . . . **ON PAGE 64**
- 13 • HAS the Government any effective way of checking up on expenditures in its independent agencies? **ON PAGE 110**

What is Coming in June
Turn to Page 109

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NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE UNITED STATES

VOLUME 26

Merle Thorpe, Editor & Publisher

NUMBER 5

Managing Editor, RAYMOND C. WILLOUGHBY; Business Manager, LAWRENCE F. HURLEY; Director of Advertising, E. V. THOMPSON.

GENERAL OFFICE—Washington, U. S. Chamber Building. BRANCH OFFICES—New York, Graybar Bldg. San Francisco, 433 California Street. Dallas, 1101

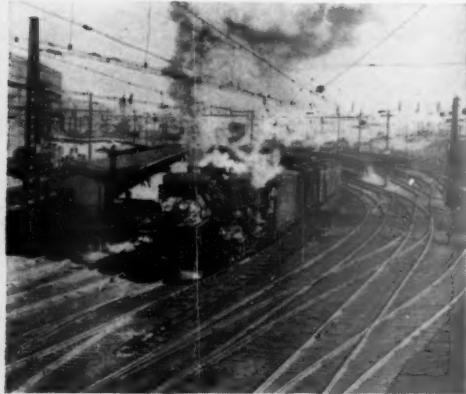
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TOBACCO . . Keeping up with the demand for Raleigh for pipes, and for Kool cigarettes, entails a lot of figure work. Brown & Williamson Tobacco Corp. depends on Monroe adding-calculators for speed and economy in figuring.



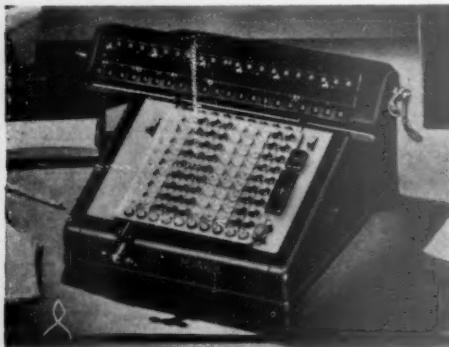
RAILS . . Miles upon miles of rails, millions of passengers, thousands of tons of freight—the New York, New Haven & Hartford Railroad uses Monroes by the score at points scattered all along its lines. The figure work of a railroad never ceases.



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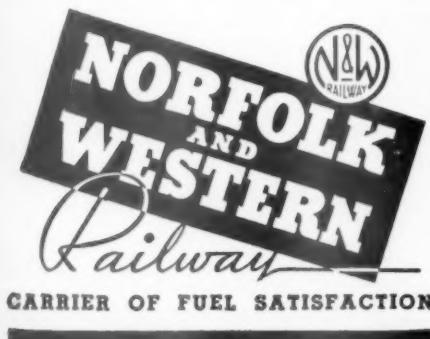
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For complete information regarding Fuel Satisfaction and for advice or assistance in the solution of your fuel problems, telephone or write any of the following: Coal Traffic Department, Roanoke, Va., or any of the Norfolk and Western Railway's Coal Bureaus located at the following addresses: 10 Post Office Square, Boston; Marquette Building, Chicago; Dixie Terminal Building, Cincinnati; Union Trust Building, Cleveland; Book Building, Detroit; Reynolds Building, Winston-Salem; or any representative of the railway's Freight Traffic Department.

1938 — A CENTURY OF SERVICE — 1938



Through the EDITOR'S SPECS

Government by men

THE FOUNDERS of our government, devising rules for a free society, laid great emphasis upon *written* law as against laws made overnight by men. Today, thousands of regulations carrying penalties of fine and imprisonment are passed by bureaus, boards, commissions and authorities.

A recent example, bizarre, but illuminative of the change in American jurisprudence: Mr. Delmar, of Los Angeles, deducted as a loss against income \$1,000 lost on the races. Mrs. Delmar deducted \$300 lost on roulette. Some Treasury official, name unknown, decided that the first was deductible because Mr. Delmar gambled expecting to win, but that the other was not deductible because Mrs. Delmar gambled for pleasure.

Thus, administrators of law make laws by their interpretation, in this case by deciding the *intention* of their subjects. The Lord Chief Justice of England calls such administrative law "The New Despotism." One of Hitler's first acts was to repeal "objectivity" of the courts—"judges must decide cases upon the intention of the parties as the Fuehrer would decide them."

To our new friends:

TO THE 1,000 of our new subscribers who failed to get their April issue of NATION'S BUSINESS, our apologies. Your subscriptions will start with May. The reason: March broke all records of 20 years for new subscribers. Our print order anticipated no such demand. So we were caught short.

Twelve thousand and eleven new subscribers sent in their checks in March. So far as we know, only one other Washington concern which does not depend on local trade did better. But then, a subscription to NATION'S BUSINESS is voluntary; the Internal Revenue Bureau does not take "no" for an answer.

We thank you!

Four-square but Janus-faced

WE WERE puzzled by a report about labor demands made by employees of the Federal Barge Lines. General

Ashburn, president of this Government-owned corporation, said to the Associated Press:

I told them to strike if they chose, but that they would only lose their jobs. The barge lines cannot afford to pay what the men are asking.

When private employers have said the same thing—and no doubt with equal cause—it only served to brand them as feudal barons and to bring peremptory orders from the National Labor Relations Board. Is it possible that we have one set of conduct and wage standards for government agencies and another for private business with which they may be in direct competition, as the Federal Barge Lines are? We'd walk six blocks to see the General in action before an examiner of the N.R.L.B.

Wisdom

TO ACTIVATE our economy, we can rely on the profit system and the hope of gain, or we can try the new European ideas of state regulation and the fear of punishment. We can try either, but we can't try both at the same time.—Bernard M. Baruch before Senate Committee on Unemployment and Relief.

Genesis of an industry

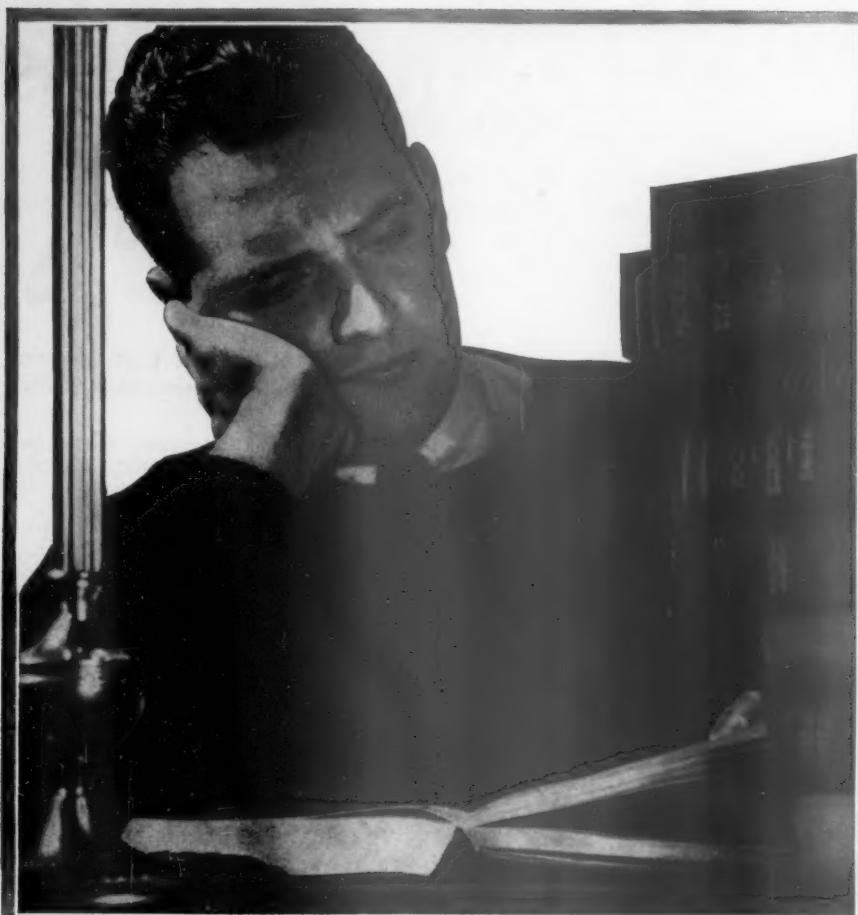
HOW DO businesses get going? How are jobs made?

A suggestive answer is provided by the career of Col. Lewis Walker. Dead at 82, he lived to see the fulfillment of his purpose to develop the idea of a hookless fastener into a thriving industry.

It was at the Chicago Fair in 1893 that he saw a local inventor, W. L. Judson, demonstrating the device. Judson was looking for a backer. Colonel Walker immediately grasped the commercial possibilities. He made up his mind to promote the invention. It took him 20 years to attain volume production.

Reorganization followed reorganization. Survival was an acute problem. Manufacture was attempted in one city after another. Stockholders were an unstable quantity. Colonel Walker was the only constant in an equation of variables.

In 1913 operations were established in Meadville, Pa., his home town. Twenty persons were employed. A



THE BUSINESS THAT GOES TO COLLEGE

MANY top executives first learned of Hartford Steam Boiler in engineering text-books they studied as young men.

For decades, this Company's judgment in matters of power-plant protection has been accepted as authoritative.

In the "age of steam," the 19th Century, Hartford was largely responsible for standards of safe boiler design and construction.

In the "age of machines," the 20th Century, Hartford's insurance and inspection guard half of the nation's insured power apparatus.

Hartford was the first insurance company to establish a laboratory—studying and prescribing for "bad feed water," cause of many boiler ills. Its research and study helped bring order out of chaos in the welding of pressure vessels. Its engineering staff leads today in studying and applying new techniques for the prevention of power-plant accidents. This is one business that is never through learning.

Ask your agent or broker to place *your* boiler or machinery insurance with Hartford Steam Boiler—the organization devoted *solely* to this kind of insurance.



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rented building was used for the factory. First name was the Hookless Fastener Company, Inc. Reorganization changed the name to Talon, Inc. Now the company operates several factories in Meadville, and one at Erie. Branch offices are maintained in New York, Chicago, Philadelphia, Boston, Los Angeles. Employees aggregate 4,000.

Up to a few months before his death the light of Colonel Walker's leadership burned brightly. He was president in service as well as in title.

Merry-go-round

"THE ONLY way to balance the budget is by raising national income until increased income taxes yield enough revenue to meet necessary expenditures," says Senator LaFollette. But he explains that, in his opinion, private industry alone cannot increase and maintain the national income to that level. The federal Government must keep on pumping money into circulation through "made work" projects, relief, etc.

In other words, the Government must give enough of the people's money to the people to enable them to give back in taxes enough to permit the Government to do the giving. The second five-year plan seems to lack even the imagination of the first five-year plan.

A city and a bank

ALMOST half of the national life of the United States is spanned by the history of the Live Stock Bank of Chicago. Now in its seventieth year the bank opened its doors to a city young and vigorous, to a civic spirit still infused with pioneer courage. Barely a generation separated the thriving city of 250,000 souls from the frontier community established in 1833.

Life and work was picturesquely difficult by current standards—wooden sidewalks, unpaved streets, horse cars, no electric lights. In the Biblical fullness of years, the prairie center attained rank with the world's largest cities, produced and distributed a voluminous variety of goods whose names became household words, helped to develop a civilization that it twice impressively symbolized with expositions of international magnitude.

How well the little bank served the needs of the business community, its growth eloquently attests. Assets rose from \$240,000 to more than \$26,000,000. And services now reach out to agriculture, trade, and industry in five states. An institution that has managed to withstand the shocks and adversities of 70 years provides its

own assurance of soundness. To increase the useful stature while at the same time maintaining integrity against the hazards of chance and change heaps up the measure of distinction.

Fame

A NEWSPAPER report in the New York *Herald-Tribune* chronicled the new rules officially promulgated for the residents of "Tugwelltown," the Greenbelt Resettlement Administration community. One of the rules is that no washing may hang out to dry after 4:30 p.m. or on Sunday, and woe to the belated householder who forgets his latch-key. He is to be fined 25c.

But this is not what we started to write about. What impresses us in the report was not bureaucratic regulation—that was no surprise to these columns—but the immutable fact that a great New York City newspaper referred to him as "Robert G. Tugwell."

A call to arms

TOTALITARIANISM is insidiously boring from within the temple of our liberties and assaulting it from without. Never has any foe of civilization moved so mysteriously, so unerringly, with such deadly swiftness over so wide a territory. The urgent and unpostponable duty of every American who loves liberty is not only to let the light of reason guard him from within against this treacherous foe, but to join his fellow citizens in resisting it from without.

—Secretary Harold L. Ickes, Feb. 3, 1938

Washington "business"

PROPAGANDA MILLS: Congress has specifically prohibited the hiring of press agents by Government departments. Nevertheless, by official count of the federal Information Service, more than 85 bureaus, boards, commissions and other offices employ press agents. To evade the law, the press agents are known as information specialists, editors, assistants.

INCREASED WORD TONNAGE: Public Printer Giegengack reveals in his annual reports a style that is a reminder of business correspondence in the Victorian era. Sprinkled through them are such clichés as "I take this opportunity. . . ."; "Permit me to congratulate. . . ."; "I wish to express. . . ."; "I want to take this occasion. . . ."; "May I express to you. . . ."; and "I am giving myself the pleasure. . . ." One speculates whether the Public Printer is excessively Chesterfieldian or simply wishes to set a good example in word tonnage, by way of increasing the business of his department.

NEW HORIZONS IN MODERN EDUCATION: The W.P.A. will hold a class in

Where Will Business Find Its Leaders

—next year, the year after, five years from now?

AN unending search is going on in American business—a search for executives, for men who are big enough to carry the broad responsibilities of modern industry. . . . It is a search that grips the attention of all directing heads of businesses, because the safety and prosperity of their organizations depend upon the success of this search.

This year, next year, and every year thereafter the business world must find new leaders—executives who can organize forces under their control; judge, direct, and influence men; plan ahead with sound vision; meet unexpected difficulties and unlooked-for opportunities with correct thought and action.



Who are the *coming* executives in your business? There are plenty of department heads—men who know selling, or production, or accounting, or some other

one branch of the business. But there are few who know the fundamentals of *all* departments and who are capable of coordinating their activities. *This is the type of man who must be found.*

If you are the responsible head of your business, one of your vital problems is to *rate* your executives and to *prepare* your coming executives.

If you are one of the coming executives, your vital problem is to *compel* recognition and to be fully prepared when the time comes.

The ALEXANDER HAMILTON INSTITUTE Is Helping American Industry to Prepare Its Executives

For more than a quarter-century the Institute has been giving to the executives and coming executives of American business the organized knowledge of business that is essential to competent management. The Institute has gathered the experience of the most successful business men of the country, and the proved principles and methods of thousands of companies. It has organized and formulated this knowledge for the benefit of those who realize that without it no man is qualified for executive responsibility.

To those men who now hold, or who are determined to hold in the future, important places in the business world, the Institute

offers the thorough, balanced knowledge of production, marketing, finance, and accounting essential in business administration; the ideas, experience, methods and judgment of the most successful business men of America; a confident mastery of tested, modern business principles and practice.

To men who want to qualify fully for executive responsibility and to win financial independence, we will be glad to send a copy of the famous book "Forging Ahead in Business." A new edition has been published which contains a most important message for the type of man who is going far in business. Mail the coupon for your copy.

Among the many American business leaders who have aided in building the Institute's Course and Service are:

C. M. Chester, Chairman, General Foods Corp.; Thomas J. Watson, President, International Business Machines Corp.; Alfred P. Sloan, Jr., Chairman, General Motors Corp.; Benjamin Rush, President, Insurance Company of North America; Frederick W. Pickard, Vice-President, E. I. duPont de Nemours & Company, Inc.; Fowler Manning, President, Air-Conditioning Division American Radiator Corporation; Robert H. Montgomery, Lybrand, Ross Brothers & Montgomery; John G. Lonsdale, President, Mercantile-Commerce Bank & Trust Co.; and many more.

To the ALEXANDER HAMILTON INSTITUTE,

148 Astor Place, New York, N. Y.

Please mail me, without cost, a copy of "Forging Ahead in Business."

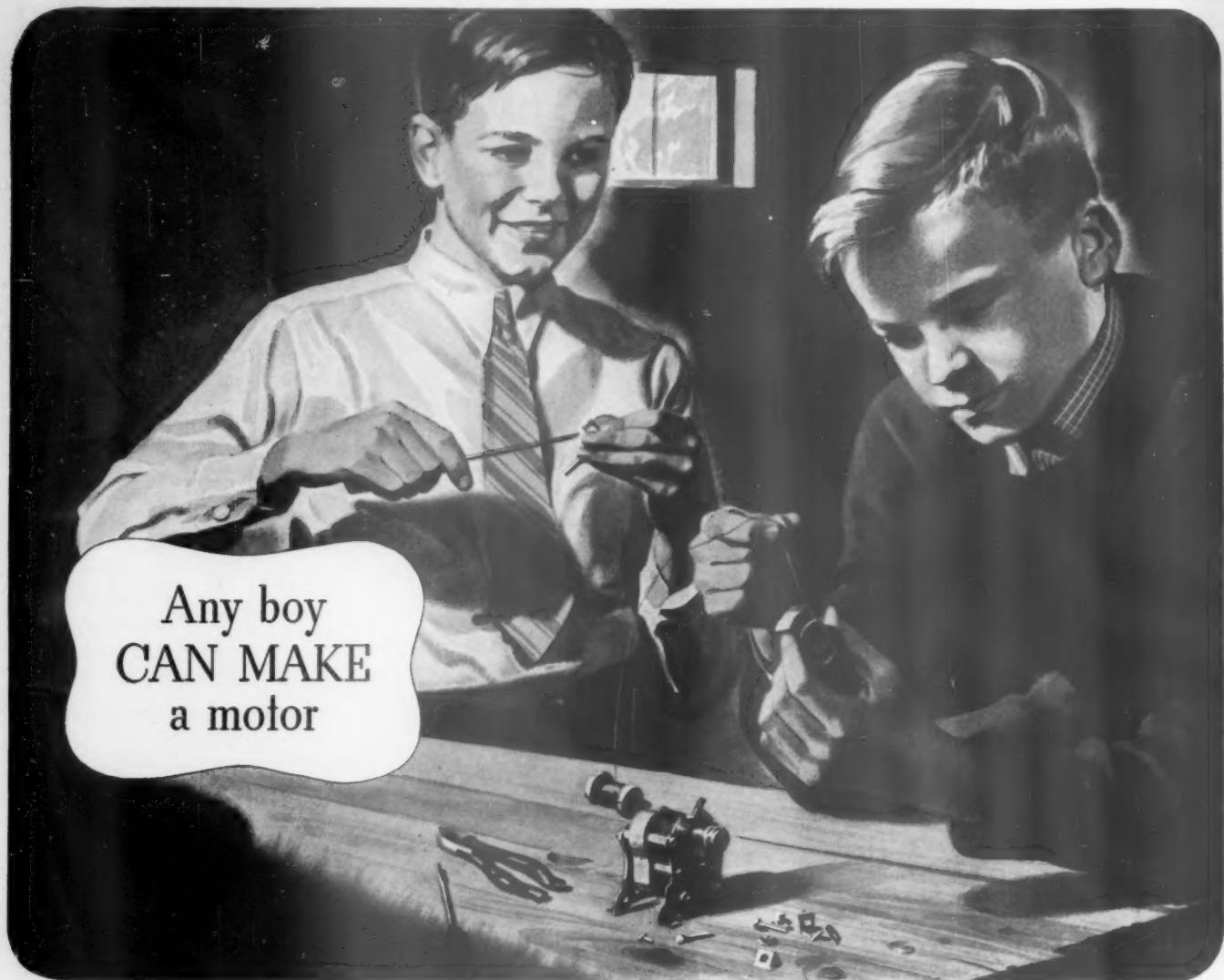
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Yet the most romantic story ever told could be written about the electric motor. It runs practically every mechanical device in use today. It turns the wheels of industry

— carries people to work from the suburbs to the topmost floors of tall buildings. The daily lives — even the livelihood — of most of us depend in some way upon it.

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and ratings. If none of these is exactly what is needed, a special model will be built to order.

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Westinghouse

The name that means everything in electricity

abdominal and pelvic exercises for women at 10 a.m., at 1563 Clay Street. —Notice in a San Francisco newspaper.

REVIVAL OF A LOST ART: Government officials searching for neglected re-employment opportunities suggest the revival of the garlic twisting industry. Women used to do this work of braiding the garlic into long strings, it is said. Now, most of it is marketed loose. The Federal Bureau of Plant Industry deplores the loss of this fine old art and suggests that beginners "procure some strings from dealers, and learn by replaiting the garlic."

Circumstances alter cases

I THINK it can be demonstrated that if the investigation shall be attempted by the Federal Trade Commission the result will be in the most important particulars practically negligible.

Senator Norris thus officially defines a whitewash. But the date is 1928 and the proposed senatorial investigation is of the nefarious utilities.

Ten years later another investigation is demanded, this time of the T.V.A. But now the same senator feels that the F.T.C. would be the very agency to do the job. Thus may we see how the world wags.

Banking and calligraphy

HOW little we may know of the complexities in highly specialized modern business is brought home to the curious mind at every turn. A banker friend showed us the other day an illegible signature file. It contained some 200 signatures of depositors so segregated.

Photostats are made of all signatures which are difficult if not impossible to decipher, and these are placed in the file with proper identification, for the use of bookkeepers and tellers. Some of the depositors are just punk penmen, but many more probably ape the strange hieroglyphics affected by some bank officials we have known.

Tax strike

SERVICE station men in Oakman, Ala., recently served notice that enough taxes are enough and that's that. When the town placed a one cent tax on gasoline in addition to six cents state and one cent federal taxes, owners of the pumps gave force to a popular protest against the new levy by closing them and declaring they would sell no more motor fuel until Oakman called off its tax. Residents went to neighboring towns to "fill up."

The citizenry won out, but we'll bet it was a Pyrrhic victory. They'll find the tax, like the salesman's overcoat, in some expense account.

The trial of regulators

AT LEAST two dairymen, in Wisconsin and Minnesota, have been prosecuted recently for giving their customers too much quality at the price. Their milk contained more butter fat than was permitted by the state boards that control milk distribution. The New Jersey dry cleaner, it will be recalled, charged too little for pants pressing.

In Albany, N. Y., Attorney General Bennett asked the state legislature for \$50,000 to use in investigating the milk industry. He charged that two of the largest companies were making up to 27 per cent profit.

The same New York newspaper carried the announcement of one of these companies, denying Mr. Bennett's figures and asserting that its net profit on milk is only one-tenth cent a quart.

We wouldn't like to be a dairyman—arrested for charging prices that are too low, and investigated for making too much profit.

The business man has an extra hard life these days.

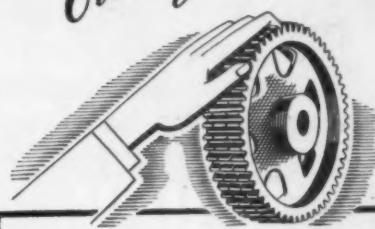
Count your decibels

WHEN an executive finds trouble in concentrating on his work he should check up on the decibel index in his office. Decibel is a term invented by sound conditioning engineers as the unit of sound intensity. It's really very simple. The threshold of audibility is set at zero, a whisper is 20 decibels, ordinary conversation 50, an electric street car rings up 72, an auto horn 91, and a riveter outrages the silences at 110. The noise range in the average office is from 35 to 70, depending on the temperament of the boss and the conversational vivacity of his employees. On a day when the files have failed to disgorge an important letter it may run as high as 90.

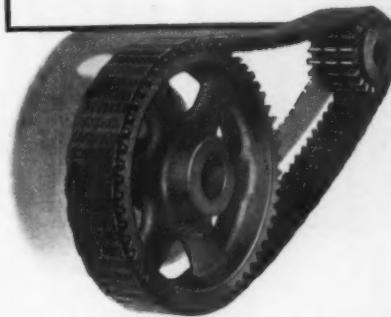
Sound conditioning of offices is becoming an important architectural aid to business efficiency, like air conditioning. Through the use in walls and partitions of new building materials treated for sound absorption, the clatter of typewriters and adding machines and the excess flow of verbal articulation are mitigated. This improves the grade of business thinking by granting relief from noise distractions. Schopenhauer, the great pessimist, said the Eleventh Commandment should be, "Don't Interrupt," and that noise is the most impertinent of interruptions. But industrial laboratories are learning how to deal with such impertinence.

Prove the MORSE PRINCIPLE

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— that's the first year record of 80 operators with this great new Heavy Duty

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Av. Decrease
cost per mile 50.4%

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We asked them to keep careful records against the tires replaced and here they are—sensational in performance, sensational in economy!

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IN RUBBER
GOOD  **YEAR**

MORE TONS ARE HAULED ON GOODYEAR TRUCK TIRES THAN ON ANY OTHER KIND

NATION'S BUSINESS • A MAGAZINE FOR BUSINESS MEN



A Call for Faith and Works

SMALL business men constitute the most independent group in America. This is not mere rhetoric. It is biology and history.

The man who gives up a sheltered job—salary or wage—and strikes out upon his own, foregoing comforts, facing hazards, must have courage. He is willing to risk all because he desires most of all freedom of action. "To be independent," he would phrase it. Hence, a gigantic magnet designed to attract those human beings most ready to sacrifice for the principle of economic and political freedom would draw largely from this group.

Historically, the record runs true. The independent business men of England gave first service to "liberalism." As "liberals" they brought about the repeal of the Elizabethan law which fixed wages and hours according to the price of grain.

A century later found their sons fighting for this same economic freedom in America. They were the first to oppose the stamp taxes, the tax on tea, the sugar and navigation acts and the growing bureaucracy, "a multitude of new offices, and . . . swarms of officers to harass our people and eat out their substance," as a famous Declaration of Independence reads. They, single-handed, at great sacrifice, carried on into the third year their resolve "to eat acorns" rather than to import British goods under, as they felt, arbitrary restrictions.

It was the representatives of the small backwoods merchants of Virginia, Patrick Henry and John Marshall, who forced adoption of the five famous resolutions which first suggested separation from England, while a silversmith named Revere and his business friends were sounding the tocsin in Massachusetts Bay. And then, as now, so the historian records, they did so in the face of opposition from others "who expected favors from the Crown" and urged conciliation, the earlier word for "cooperation."

In another century and a half came the effort to curtail economic freedom on a large scale in the interest of "recovery." But emergency does not justify a compromise of principle. It was a small battery man of York, Pa., who went to jail for his convictions; a pants-presser and chicken dealer who fanned the momentous issue into national proportions. It was an unknown oil operator of

Texas who chose a cell rather than submit to arbitrary rule, who was denied his liberty under a regulation which the Supreme Court later found existed only in a press release of the Interior Department.

It is immensely significant that the measures for curtailing freedom of action were repealed in the hearts of the people long before they were acted upon by the Supreme Court.

The small business man knows that political freedom and economic freedom go hand in hand. He knows that, when one goes, the other will go. He is close to his customers and knows that taxes come out of the market-basket, that business opposes taxes not because it pays them but because it collects them. He knows that excessive restrictions and regulations slow down trade, and his life is devoted to the speeding up of the trading of goods, labor and services.

The small business men of America are a mighty potential force in the preservation of the free and the ever increasing production and distribution of more things for more people. Each has his circle of influence. Just now the false inhibition which has been upon him, namely, that to criticize political policies is unpatriotic, is being lifted. He is becoming articulate. The "ferment back home" which Congressmen report today is largely the result of this awakening of the small business man. He is becoming more and more convinced that we are not getting ahead, and is skeptical of more political plans and promises.

For the small business man who is ready to fight again for the fundamentals of the free American enterprise system, there has been prepared a simple, 40-page booklet which shows wherein the American business system is different from all others, it describes what substitutes are proposed and why, and suggests what he can do about it. This booklet can be obtained from your Chamber of Commerce or Trade Association. It is as non-partisan as the multiplication table, a patriotic manual which might have been used by the business men of 1770—if they had not been *building*—instead of those of today whose job is that of *preserving*.

Meredith Thorpe



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Has the F.T.C. Become a New NRA?

By GEORGE A. BENSON

COINCIDENT with its removal to a new and permanent home, a beautiful stone and marble building at the apex of Washington's famed Government Triangle, the Federal Trade Commission entered a completer, more powerful, administrative structure. The two events, though not exactly synchronous, were close enough to parallel each other and together they are significant.

The Commission is home at last, after a quarter of a century of wandering through temporary and musty old quarters. It is come of age, legislatively and legally, after long years of growing pains and exploration in the exacting realm of the courts. Its home is fixed and enduring, its powers, by virtue of new amendments, are broad and abiding. Today it can control and punish. Tomorrow it may dictate!

A new act of Congress makes the consumer as much a concern of the Commission as the competitor has been heretofore. Thus its jurisdiction is widened. It now can protect the purchaser against his own lack of knowledge. No longer must it confine itself to proving that competition has been damaged, monopoly promoted. Deception now is an unfair practice, either in merchandising or advertising, and it may involve but a single ultimate consumer. Fool the buyer in any way and hereafter you will be on the spot.

No longer need the Commission go to the circuit court of appeals to make an order effective. If the respondent does not petition for review within a specified time, the Commission's order is final and determining; the burden in the future is on the respondent.

Not only that: the Commission now, by certifying to the Department of Justice for civil action, can enforce a stiff penalty. Heretofore, the only penalty was a fine for contempt of



HORYDCZAK

After years of wandering around in dingy, temporary offices, the Federal Trade Commission finally has a home of its own

NEW amendments broadening its powers and giving it authority to enforce its decisions permit the Trade Commission to control and punish. Will it dictate?

court for not obeying a decree effectuating a Commission order.

And it can lay a heavy hand on the processors and distributors of foods, drugs, devices for restoring health or cosmetics. Its jurisdiction over the advertising of such items is sweeping. No false advertisement can be disseminated. Every claim for the product must be substantiated or the advertisement is deceptive, intended to

fool the consumer into purchase. If it is to the public interest to prevent such advertising, the Commission can go into court and get an injunction. If the product so advertised is injurious to health or if the advertisement is clearly intended to "defraud" or "mislead," the advertiser is guilty of a misdemeanor, subject to a fine of \$5,000 or a prison term of six months. A second offense doubles the

penalty. Thus power to punish is added to power to prevent and control.

The Commission's powers have been confirmed by the courts. It was the Supreme Court, recognizing that its basic law gave the Commission jurisdiction only over competition, which paved the way for the adoption of the amendatory act making it no longer necessary to prove injury to a competitor. And the Court's decisions are broad enough to leave no doubt about the constitutionality of the new act. The application of the interstate commerce clause is now so sweeping as to give the Commission access to a gradually broadening field of activity.

Open door to NRA

THE Supreme Court also wrote the great charter which today is the open door to the long-desired return to NRA, along the lines advocated by Donald Richberg, and to some measure of control over minimum wages and maximum hours. Further legislation is unnecessary.

The Administration has not thought of this, or if it has, a more dramatic approach is preferred. But the Commission has thought of it, because it has been brought to its attention. It views the power with some satisfaction, but stays its hand for the time being; after all, it is better to have definite instructions from Congress. I shall return to this.

The Commission has come a long distance since Woodrow Wilson's time. To the President who sired it, it was to be the adviser and consultant of business to protect it against unfair trade practices and to prevent monopoly. He conceived it "only as an indispensable instrument of information and publicity; as a clearing house for the facts by which both the public mind and the managers of great business undertakings should be guided"; as an instrumentality for working "justice to business where the processes of the courts or the natural forces of correction outside the courts are inadequate. . . ."

Roosevelt, when he dedicated its permanent home, considered it vindication of his great predecessor, viewed it as the vehicle for allowing business "to remain honest and to

carry on under fair competitive conditions, protected from the sharp or shady practices of the unscrupulous"—words reminiscent of early NRA days. He did not advocate the amendments (the Commission had been seeking them ever since 1931 when the Supreme Court voided an order because it had not proved injury to

product is likely to be injurious to health, so much the worse. In the past the Commission has been able to stop practices and advertisements because they "misled" or were "deceptive," but only when the misleading or deceptive statements tended to divert trade from a competitor. That is all done. The competitor still will be protected, but now, the consumer is also to be safeguarded.

A company may manufacture a wholly new article, the only thing of its kind in the country, made by no one else and, if the claims made for it are untrue, if statements incapable of substantiation made in advertisements induce people to buy it, the Commission can file a complaint against it. Thus if a consumer purchases something which turns out to be not what he anticipated because of the advertisements he can appeal to the Commission for action.

Deception is banned

ANYTHING that deceives or misleads is contrary to the act. It is left to the Commission to determine what is deceptive, just as the original law left it the duty of determining what is an unfair practice. Many unfair practices are not deceptive, and many deceptive practices are not unfair practices in that

they injure competitors. It is possible, however, to determine to a considerable extent the stand the Commission will take, because numerous findings and orders point the way.

Passing off one's goods as the goods of another, representing them as foreign made to appeal to a certain class when they are of domestic origin, imitating another's products either in form or name, are some of them. True, the Commission has been able to tackle such practices heretofore, but the field is now widened because it no longer needs to prove that a competitor is injured or monopoly is promoted.

Does the merchandising practice or the advertisement deceive the consumer? Is the sales talk or the ad misleading in any way? Is it untrue? These are the questions to be asked. If the answers are in the affirmative, the Commission can and will proceed whether trade is diverted or not.



WOODROW WILSON conceived the Commission "only as an indispensable instrument of information and publicity; as a clearing house for the facts by which the public mind and business should be guided"

a competitor). Indeed, in his first administration, the Commission was in its greatest eclipse because the anti-trust laws were suspended and business, under the cloak of immunity which the NRA codes gave, was engaging in practices it had previously frowned upon. Ironically enough, the Commission now is "mopping up" on the monopolistic practices which the NRA fostered and is clothed with all the powers any administration needs to accomplish the very things for which NRA was created; to do it, too, under the laws.

Its new powers flowered under the Wheeler-Lea bill. By this act the Commission is brought to its real strength and ready to pounce upon any practices or advertising which are "deceptive."

The important thing in the new act is the little word "deception." Anything that deceives the purchaser is an unfair trade practice. If the prod-

Clearly this opens a broad field, much of which is yet to be explored. Immediately one can think of numerous advertisements which might fall under the ban. Testimonials, for example; undue claims about the worth or effectiveness or quality of a product. But here one cannot be too sure, for the courts have spoken.

In a previous case, the Supreme Court held that the advertisements of an obesity cure were misleading but that the Commission had no jurisdiction because there was no showing of injury to a competitor. This is the case which gave rise to the "deceptive" practices amendments. But it is certain that the Commission will go far in holding many advertising claims as misleading if they cannot be substantiated by expert testimony, especially when the ads are detrimental to public interest or are deceiving people into buying the products.

But the Commission finds itself faced with a decision of the Second Circuit Court of Appeals which nullified its order directing a mattress company to cease certain advertising practices. The Commission held that the company's trade-mark, a picture of a mattress uncovered at one end and extending to a surprising degree, was unfair, because, although such an expansion was not possible, the advertising campaign had induced many persons to prefer these mattresses to those of other manufacturers. The court rejected this reasoning. It said the power to prohibit unfair practices did not extend so far; that "the slightest pictorial exaggeration of the qualities of an article cannot be deemed to be either a misrepresentation or an unfair method of competition."

"Puffing" given O.K.

IT TOOK cognizance of "the time-honored custom of at least slight puffing," said "puffing" had not yet come under a legal ban.

Well, then, where does puffing end and deception begin? Occasionally, this question will trouble the Commission.

It is clear, too, that the Commission, in proceeding against advertisers on the grounds of deception, must prove deception *per se*, just as heretofore it had to

prove injury to competitors. In some cases, this will not be difficult. It is, for example, easy to prove that fabrics or garments do not contain the materials advertised or contain a combination of materials not fully set forth. It will be easy, too, to prove whether a drug or a cosmetic will do all that is claimed for it.

Testimonial advertisements are something else again. The rule is yet to be laid down, because the Second Circuit Court of Appeals nullified a Commission order directed against a respondent company on the grounds that the fact that the company did not admit in its advertisements that the testimonials were paid for did not tend to create a monopoly.

"But if they are paid for, providing they are truthful, no one is deceived," the court said.

The test, then, is deception or truthfulness. A food advertised to build the body must build the body. A drug or a device represented to cure a particular ailment must cure it. But what becomes of those advertisements which deceive some and do not deceive others? The Commission, of course, will consider the probable impression on the reader. It will look to the impression made upon the person conversant with technical statements, the one who is wise enough to know that claims heard over the air or read

in magazine and paper cannot be substantiated and it will look to the impression upon the unknowing. The Commission says, for example, that the law is not to protect the well informed and the wise, but the ordinary trusting individual who has a right to rely on the truthfulness of what he reads.

Justice Black's first opinion

AT this point the Commission is buttressed by a new Supreme Court decision, the first one written by Mr. Justice Black. He said:

The fact that a false statement may be obviously false to those who are trained and experienced does not change its character, nor take away its power to deceive others less experienced. There is no duty resting upon a citizen to suspect the honesty of those with whom he transacts business. Laws are made to protect the trusting as well as the suspicious.

The same reasoning applies to merchandising practices, all competitive methods employed to move goods. But here, the Commission is likely to rely more completely than ever on its fair trade practice rules, now increasing rapidly. These rules really take the place of the old NRA codes, and, as promulgated in recent months, cover the very trade practices written into the codes.

These rules are of the utmost importance. They constitute the Government's machinery for preventing monopolistic practices, for cooperating with business and industry to safeguard both business and the public, to protect consumers against misleading advertising. They make it unnecessary to revise the anti-trust laws or to license corporations doing an interstate business, because the Federal Trade Commission now is empowered to accomplish anything these proposed laws are intended to do.

The procedure permits a business or industry to take the initiative in establishing its own rules of business conduct, subject to the Commission's approval. Thus the Government obtains the same results that flow from the formal issuance of a Commission complaint and an order and does it without costly proceedings.

In the first group of
(Continued on page 103)



REVISION of the anti-trust laws or licensing of corporations in interstate business appears unnecessary since the Federal Trade Commission is now empowered to accomplish anything these laws were intended to do

How Business Helps Agricultural O



INTERNATIONAL HARVESTER COMPANY

A 16-foot combined harvester-thresher cuts and threshes 40 acres a day. The six-foot horse-drawn binder cut 12 acres without threshing



DEERE & COMPANY

Modern four-row cultivator. All working equipment is raised and lowered by hydraulic power lift of the tractor



DEERE & COMPANY



OLIVER

This row-crop tractor with a corn-planter attachment is equipped to operate 24 hours a day. It offers a strange comparison to check-row planter of 30 years ago



DEERE & COMPANY

al Output



Steam thresher, popular at turn of century gradually gives way to gasoline



Manure piles, dirt floors and poor ventilation characterized cow barns of 30 years ago. This one was transformed into the building at right



On most farms threshing is still done the old-fashioned way with modern equipment. Note tractor, steel thresher and truck



Steel, concrete, windows and modern equipment make this transformed barn into a model for sanitation and convenience



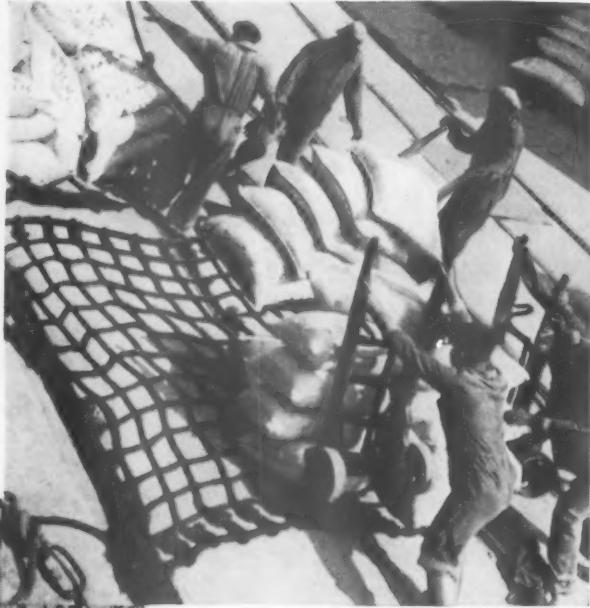
A tractor-carried, push-type corn picker is one of the latest farm machines to supplant manual labor. Some types also shell the corn

National Foreign Trade Week



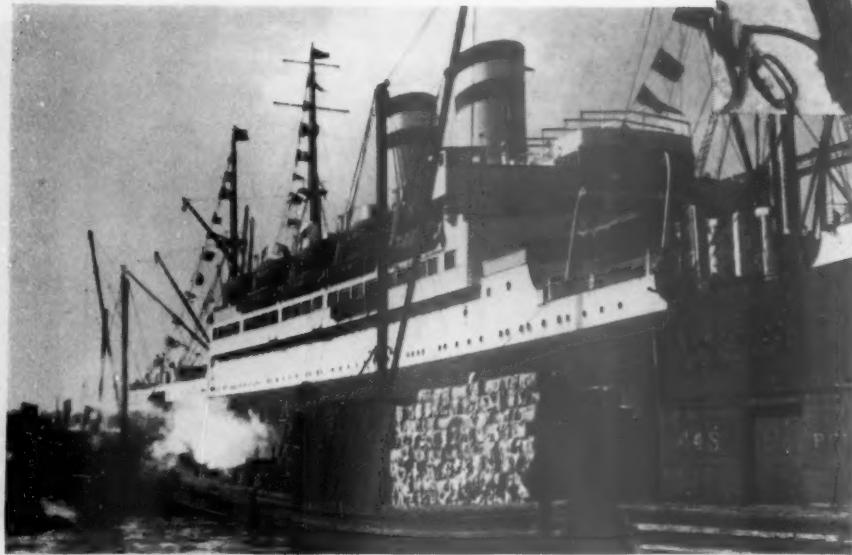
ELIZABETH R. HIBBS

An American liner's whistle signals departure of American tourists and American goods



ELIZABETH R. HIBBS

American manufactured goods are replaced in a ship's hold with Colombian coffee



EWING GALLOWAY

Exported cotton helps to provide a large portion of the farm income of the United States. Picture shows cotton being loaded from lighters



ELIZABETH R. HIBBS

Air mail and air express speed up communication and help to improve trade relations with foreign countries

NATIONAL Foreign Trade Week will be observed from May 22 to 28, inclusive. Sponsored by the Chamber of Commerce of the United States, this Week provides an opportunity for agencies engaged in foreign trade promotion to improve trade with foreign nations and to help give the people of the United States a better understanding of this country's part in world commerce.

More than 1,000 groups, including chambers of commerce, trade associations, schools, foreign trade clubs, propeller clubs and similar organizations in some 500 communities will take part in this observance. Government agencies, particularly the Bureau of Foreign and Domestic Commerce, are cooperating. Meetings, speeches and other types of publicity will be used to make America conscious of its world trade. A feature of this year's program will be the presentation of the "Captain Robert Dollar Memorial Award" to "the individual who, in the United States, has contributed most to the cause of foreign trade."

With its high productive capacity, the United States is more than ever dependent upon foreign markets for the sale of its surpluses. With six per cent of the world's population, the United States ranks as the No. 1 exporter and the No. 2 importer of the world. It has been estimated that 7,500,000 of our industrial population are dependent upon export trade.

In the field of agriculture 3,200,000 more people, working on 40,000,000 acres of farm land, are dependent upon exports for their livelihood.

Workers in factories scarcely realize that ten per cent of the petroleum they refine goes abroad, as well as 68 per cent of patent leather, 32 per cent of refined copper, eight per cent of radios, 20 per cent of metal working machinery, 36 per cent of sewing machines, 23 per cent of office appliances, 11 per cent of agricultural machinery, 27 per cent of aircraft.

In order to keep factory wheels turning there is a need for raw materials from many other countries. The automotive industry would have to curtail, if not stop, operations if it could not obtain rubber and certain metals which are imported. Forty commodities from 57 different countries are required to keep the iron and steel industry going.



Failure to check accounts until the money is spent has been called locking the stable door after the horse is stolen

The Morass of Federal Finances

By JAMES E. WARNER

IT IS a fact that no one, in or out of the government service, can tell you the amount of government assets at this moment or how much was spent yesterday

ONCE upon a time there was a public service company, the largest the world had ever seen. Although it operated a \$7,000,000,000 a year business and employed more than 1,000,000 persons it was unable to put out a balance sheet showing its exact assets and liabilities. Yet it was able to maintain an A-1 credit rating.

Although spending its stockholders' funds at the rate of \$800,000 an hour throughout the year, with no regard for 40-hour weeks or eight-hour days, this concern had no one among its million employees able to tell precisely how much it spent or collected in a given period.

Incredible, fantastic and impossible? Not at all. This is no fairy story, although it begins like one. The big public service company is the United States Government; its assets and liabilities, collectively, are yours. The stockholders' funds it spends with such a lavish hand are your money, collected from you in visible or invisible taxes.

It is a fact that no one, in or out of the federal service, ardent brain trust or reactionary Republican, can tell you the amount of the Government's assets at this moment. Nor can anyone tell you precisely how much the Government collected and spent today, yesterday, last month or last year.

True, the Treasury publishes a daily balance sheet, and, with a bit of work, its experts can provide you with any of these figures you request, but they are so full of financial loopholes that a sophomoric accountant or economist can knock them down with little effort.

Archaic accounting practice versus modern methods, new fiscal policies opposed to old, both intensified by the terrific expansion of federal activities in the past few years, have com-

bined to cause the situation which is going to have an important bearing on whether our fairy tale can have the conventional happy ending if talk continues to center blithely on billions and more billions.

Without attempting to start any dispute as to the merits of the country's present monetary policies, let us consider in plain everyday language some of the methods by which the Government injects into its own assets what the President has called "wind and water" when speaking of written-up valuations in private holding companies.

Suppose you buy 1,000 ounces of newly-mined tin, on which you have set a price of \$1.29 an ounce. You pay for it in a form of scrip which you run off your own printing presses, called "tin certificates," which are

legal tender or money in your country. But you pay the seller of this tin only 64½ cents an ounce, holding back half the amount of your arbitrarily fixed price of \$1.29 as a sort of commission to yourself for buying it.

On your ledgers, as a result of this transaction, you enter no amount whatever in the "expenditures" column. Yet under "receipts" you enter \$64,500, the amount of the commission to yourself on this 1,000-ounce transaction.

In other words, the more newly mined tin you buy under this plan, the greater is the amount of the mythical "commission" you are able to enter on the "receipts" side of your books, and the better you are able, on paper at least, to stave off or keep down any deficit, actual or impending.

Bear in mind that tin, far from being worth your arbitrary price of \$1.29 an ounce, actually is worth 45 or 50 cents an ounce in the open market—less even than the amount of your "commission."

Then let us suppose you again visit the metal market and buy yourself 25 ounces of lead at \$35 an ounce. In your country, lead is money; therefore you excuse yourself from entering an expenditure on your books for the purchase of lead with the explanation that "an ounce of lead is

\$35, and \$35 is an ounce of lead." Nevertheless, without entering any lead expenditures on your ledgers, you credit yourself with new lead assets of \$875 for acquiring your 25 ounces of this metal.

Paper profit on metal

AS a matter of fact, the lead you have—huge stocks of it—probably is worth \$35 an ounce, because for several years you have been buying at this price all the lead offered you. Before you started cornering the market, however, you could get all the lead you could use for only \$20.67 an ounce.

Substitute silver for tin, and gold for lead, in the preceding paragraphs, and you have a layman's explanation of what happens when the federal Government, under its current program, buys the two monetary metals.

"Seigniorage" is the polite word used by the Treasury in listing its 100 per cent "commission" write-up on silver in the current receipts column of its statements. By Feb. 24 of the current fiscal year about \$28,000,000 worth of this "seigniorage" had accumulated in the Treasury's receipts column—put there with no more effort than a few taps from the fingertips of a bookkeeping machine operator. Certainly no one ever turned a prettier penny with less effort.

As for gold, about \$12,500,000,000 to \$13,000,000,000 worth of it is on hand, the Treasury statement tells you, of which about \$1,500,000,000 was bought in the year ended Dec. 31 under the program just outlined.

Then there is the little matter of the \$2,000,000,000 "exchange stabilization fund." This also came into being as the result of a little fancy bookkeeping. On Jan. 31, 1934, the President proclaimed the United States dollar to be equivalent to \$35 per fine troy ounce of gold, or containing 15½ grains of gold ninetenths fine. The previous value of gold was \$20.67 an ounce and the dollar contained 25.8 grains of gold ninetenths fine.

This move, obviously, vastly enhanced the value of the gold the Treasury already had on hand, as expressed in terms of the devalued dollar. Part of this write-up "profit" on gold stocks was used in the bookkeeping transaction of creating the \$2,000,000,000 stabilization fund, designed to keep the American dollar on an even keel in the international money market.

Two hundred millions of this fund have been transferred elsewhere, leaving a theoretical \$1,800,000,000 in it. What the actual amount of the fund really is nobody knows except the President, the Secretary of the Treasury and a few trusted advisors,

Budget estimates have called for total expenditures of \$30,300,000,000 in the past five years. Actual expenditures have been \$39,000,000,000



because what is done with the fund is a state secret.

Just how a proper balance of the national books can be struck when even these few factors are considered, depends entirely on the point of view. Such matters as the definition of one American dollar, the value at which written up stocks of gold and silver would be carried in a real inventory, the amount of currency issued against metallic reserves, and other factors would enter into such a balance.

IOU's may bring trouble

THE Government's current practice of accepting hundreds of millions of dollars collected in old age security taxes, writing itself IOU's for the same, and then spending the money in exactly the same fashion as such current receipts as income and other taxes, has been discussed loudly and often. We mention it only as another factor eventually to be reckoned with in federal financing.

Now let us, with native guides, attempt to machete our way into that almost impenetrable jungle which is federal budgeting and accounting procedure. All of us have had experience, through income tax tussles or otherwise, with what is ordinarily discounted as government red tape. But—

How long would you keep a treasurer or a budget officer who, over a five-year period, assuming you tolerated him even that long, had underestimated his fiscal requirements by an average of more than 25 per cent?

That is what has happened in your federal Government, the big public utility in which all of us are stockholders, in the past half-decade. Budget estimates submitted to Congress in January of each year have called for total expenditures of \$30,300,000,000 in the past five years. Actual expenditures in the same period have been \$39,000,000,000.

The worst record was in the fiscal year 1935, when the budget called for \$4,400,000,000 and actual expenditures were \$7,300,000,000. The best record was in 1936, when the budget called for \$8,500,000,000 and actual expenditures were \$8,800,000,000, although cynical persons are wont to remark that in this year the budget was set so high originally that it should have been almost impossible to exceed it.

In the fiscal year 1934 the margin of error was 37 per cent; in 1936 it was 16 per cent and present indications are that in expenditures for the fiscal period ending June 30 of this year the margin of error will be more than 20 per cent.

In justice it must be said that it is

virtually impossible for any administration lacking the services of a reliable soothsayer to make up a budget in December of one year for a fiscal period which does not open until six months later and does not end until a year and a half later.

In these recent years, for instance, the January budget in one instance had to fight, unsuccessfully it developed, against payment of the bonus. It also has had to combat such formidable enemies as unemployment, floods, droughts and dust

which will be heard for months to come. Boiled down to everyday business terms, the issue is whether the spending department shall spend money subject to no check or audit save its own until after the money actually has been paid out, or whether another, independent department shall audit the purchasing bureau's proposed expenditures before any money leaves the bank.

The Administration maintains that the spending agencies, which are the executive department under the con-



Sixteen agencies are exempted from Accounting Office audit. Twelve others ignore the law

storms in addition to the congenital indisposition of pork-barrel minded legislators to adhere to even the most generous budget figures.

Deficit going up

WHILE on the subject of budgets let us point out that President Roosevelt estimated a \$695,000,000 deficit for the current fiscal year, but that in late February the Treasury reports showed expenditures exceeding receipts by more than \$1,000,000,000. True, income tax payments will boost receipts, but don't forget that Congress has just appropriated another \$250,000,000 for relief this year. The betting currently is that the 1937-38 fiscal year deficit will hit \$1,500,000,000 by June 30.

Now, as to accounting. The country recently has been aroused by the congressional fight over the governmental reorganization bill, echoes of

trol of the President, have the responsibility of spending government funds once they have been appropriated by Congress without let or hindrance save review by Congress in the case of irregularities.

Senator Harry F. Byrd of Virginia heads a group which wants an agency of Congress—the Comptroller General and his General Accounting Office—to continue to check the accounts of every branch of the Government, and, if necessary, hold up payment of money until any existing doubts are satisfied. Byrd bluntly calls this locking the stable door before, instead of after, the horse has disappeared.

The General Accounting Office—GAO, in federal slang—was set up by Congress in 1921. It is headed by the Comptroller General, appointed by the President but removable by and answerable only to Congress. Its

(Continued on page 110)

The Yankee Fight for



Connecticut River flood waters lap at the Capitol grounds in Hartford. The power plant in the distance



One reason for the floods. This snow in Crawford's Notch, N. H., will melt and swell the torrents pouring down the Connecticut

THIS time The Yanks Are Coming for flood control and they mean business. To curb the Connecticut River, Vermont, New Hampshire, Massachusetts and Connecticut, chronic sufferers from floods, last year signed a compact for mutual protection, a document which may prove to be of historical importance.

These states voted millions to pay for reservoir sites and dams, equal to about one-third of the entire cost, and to stand the annual maintenance charges. They forgot differences for the sake of safeguarding life and land. They were willing to sacrifice beautiful hillsides, farms and villages for the general good.

They followed the principles laid down in Senator Copeland's Omnibus Flood Control Act, signed by the President in June, 1936, which was drawn primarily to promote interstate flood control compacts.

The results were remarkable. Each legislature signed up, the four Governors (two Democratic and two Republican) put their signatures on the line, the Secretary of War voiced radio congratulations,

Right for Control of Floods

By CHARLES MORRIS MILLS

THE FATE of the Connecticut River Compact may shape the future econ-

omic life of every state—and perhaps of the nation as well

and the compact looked all set for quick ratification by Congress.

The first round was favorable. The Senate Commerce Committee and the House Flood Control Committee approved the compact. However, the Yankees had not figured on opposition from some of their own representatives who see power trust gangs lurking around every reservoir. The fantastic mythology of so-called national powers and rights descended upon the framers of the Connecticut River Valley Flood Compact. First they were told that the agreement violated the water resources policy of the United States. When they asked where they could find out about this program no one could tell them.

"Navigable waters"

THEN CAME the rumble about Uncle Sam's power over navigable waters.

"But," said the Yankees, "the Connecticut River is only navigable up to Holyoke while the compact covers only small, non-navigable brooks and streams that lie in the headwaters of the basin."

Next, full titles to the land, dams, and reservoirs were demanded as part of the federal interest in the water resources of the nation even though the states were paying for the lands and maintenance.

This complete reversal of former policy amazed the Yankees who were told that any exception in the case of New England would establish a precedent and upset the nation's whole power policy.

Again, whose power policy? Mr. McNinch's? Mr. Norris'? Santa Claus'? Or that agreed upon in good faith by four sovereign states in solemn compact?

This struggle in the Connecticut River Valley may not be the battle of the century, but it may well be a corking good preliminary bout. The compact proved that neighboring states can work out regional matters even though the benefits may not be equal to all parties.

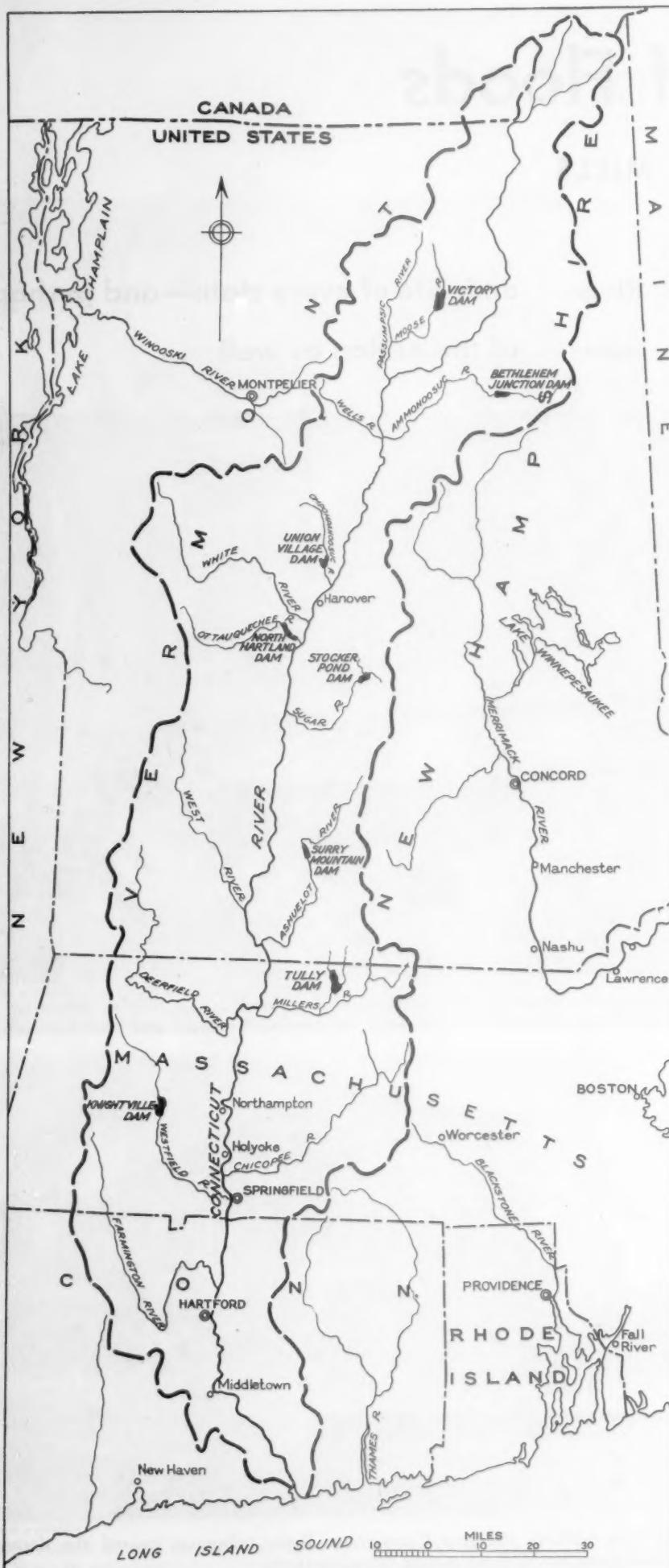
And the benefits are certainly not equal. The brooks and ponds of Vermont and New Hampshire largely form the sources of the Connecticut River which at flood periods spreads destruction in Massachusetts and Connecticut. The first two states



Stonington Street in Hartford with the flood at its height. Measures to prevent repetition of this scene must be taken in Vermont and New Hampshire



Ice from Miller's River, a Connecticut River tributary, caused the damage to this brick building in Athol, Massachusetts



have much to lose and relatively little to gain by flood control which requires the purchase of land, displacement of farms and villages, loss of real estate and taxes. Thus these states feel that compensation for lands is not sufficient; that inherent rights in the ownership of the reservoir and dam sites should be maintained; that they should be allowed to determine the nature of the development of reserve water bodies.

The scene of action, then, changes from the placid backwaters of the Connecticut to the tumultuous halls of Congress—from the effort of men trying to protect lives and lands from floods to the attempt of other men demanding federal control over waterways regardless of the size of streams or the rights of states.

Principles vs. Politics

THE issue sharpens to a struggle between principles and politics; between fact-finding Army engineers and blundering bureaucrats. The outcome of this fight involves the status of every state, not New England alone, and may fashion in large measure the future economic life of the nation.

In March, 1936, the greatest flood in the history of the Connecticut Valley caused direct and indirect damage of more than \$75,000,000. Army engineers estimated the direct loss at about \$35,000,000 in the four New England States: Massachusetts \$19,000,000 (55%), Connecticut \$11,500,000 (33%), New Hampshire \$2,500,000 (7%), Vermont \$2,000,000 (5%).

Flood control has usually been attempted by building levees, dredging channels, erecting dikes, and creating dams and reservoirs. The Army Engineering Corps, on the basis of sub-surface and topographical studies in the Connecticut Valley before the 1936 flood, made a report commonly known as Number 308, published as House Document 412, Seventy-Fourth Congress.

In this survey, levees and channels were called impractical. Reservoirs and dams were elected as the first line of defense against floods. The cost of 30 reservoirs in the Valley was deemed too high for economical water storage and only 20 finally were selected for a long term program. Lt. Col. Mason J. Young of the Engineers estimated the total cost of a combined reservoir and dike system at \$47,000,000 with annual direct and indirect benefits, including the restoration of real estate values decreased in the flood of 1936, of \$5,268,000.

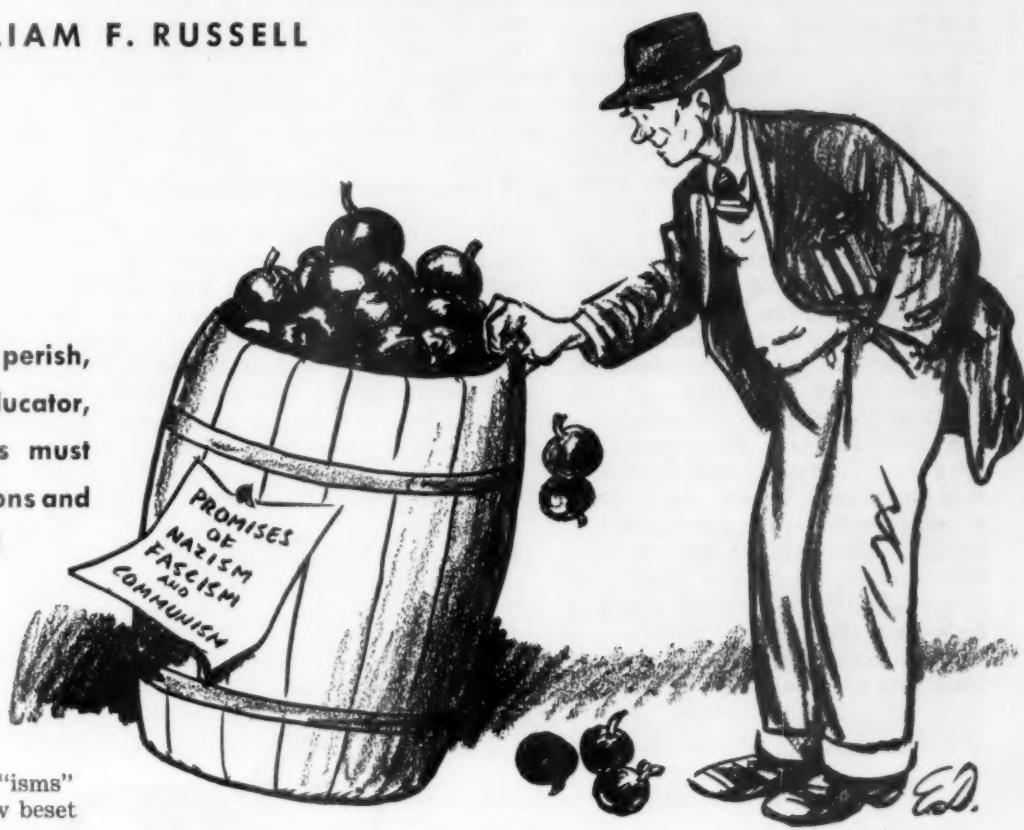
(Continued on page 88)

The scene of the controversy. The eight approved dams on tributary streams are shown. The heavy black line outlines the Connecticut River basin

Alien "Isms" and American Education

By Dr. WILLIAM F. RUSSELL

IF DEMOCRACY is not to perish, says this experienced educator, **Business and the schools must get together.** Here the reasons and the method are explained



Can youth be taught not to expect as large apples at the bottom as at the top?

THE trouble about the alien "isms" with which our people are now beset is that they sound so good when you first hear them. What seems more sensible in a period of national crisis than to concentrate all power in a competent executive whether you call him Duce, Fuehrer, Emperor or President?

What sounds like a better idea, when times are bad, than to make all business, industry and commerce work together by obeying the orders of a czar? For the moment each procedure will be an improvement. It is only in the long run that disillusionment will come. That is why loyalty to democracy in life, government and business is so desperately hard to teach.

Nevertheless, many problems of education are like this. A wit once remarked that the trouble about youth is that it does not come late enough in life. If you turn this around and say that the trouble about age is that it does not come early enough, you have a perfect statement of one of the problems of education. The young do not know enough, they are not wary enough, they are not suspicious enough to protect themselves. The old people know better.

The problem of education is how to give this to the youth. Can we teach him to avoid the shell game? Can he learn to see through the gilt of the gold brick? Can he be taught not

to expect the apples at the bottom of the barrel to be as large as those on top?

This is the problem of moral education. We say "Honesty is the best policy"; but it is only best in the long run. Dishonesty is much better if you think only of the present. One must look well ahead and consider all the consequences of dishonesty fully to understand why it is not the best policy.

The problem of training

THIS is the problem of health education. The most attractive habits of life at the moment are not those that make a healthy life in the long run; and the youth must be taught to sacrifice the more pleasant course of action of the moment for the sake of a happier life later on.

The educational problems raised by fascism and communism are of this character. The democratic form and method of government in the United States was no accident. It was planned with the greatest care. It rose with high hopes for the future from a background of tyranny.

The Fathers—the government planners of 1776 and 1787—had themselves suffered oppression. They had lived under kings and royal governors; they had borne the weight of bureaucracy; they knew what life was like when all had to conform to a state religion, when newspapers could not print what they pleased, when men did not dare to speak their minds, when person and property were subject to the overlord.

They wanted to be free—and they wanted to guard against the despot. When they came to planning the details of the proposed government they had both objectives in mind. They resisted the temptation to make the most efficient government possible at the moment. They could easily have given plenary powers to George Washington, our greatest citizen. In short order he could have put the little nation on its feet, a nation at that time bankrupt, defenseless, and divided against itself.

But they were thinking of the long run. To them the despotic future outweighed the efficient present. So they divided the powers, and balanced House against Senate, executive

against judicial, judicial against legislative, legislative against the executive, and the federal Government against the state and the locality. They tried to devise a government just as good as it could be under a good man which would not be too bad under a bad one.

The Fathers knew that a benevolent autocracy is the finest form of government; but they also knew that the benevolent autocrat does not live forever, someone follows him, and sooner or later an evil man comes to power. They knew that no period of government administration, however prompt, effective and adaptable, ever compensates for a period of despotism.

Furthermore, the Fathers knew all about economic tyranny and many of them had experienced it personally. The Europe of the Eighteenth Century had been under governments that controlled business. Periodically, after a period of famine and depression, some economic leader like Colbert would come to power, rearrange taxation, finance and money, regulate manufacture, trade and transportation, issue his orders to all, establish codes, and give business a lift.

Here, as in government, stupid and venal men eventually follow the great,

armies of functionaries swarm into the Capital, and government-favored organizations of capital and labor come to rule with an iron hand. Tyranny in trade, industry and commerce becomes just as misery-yielding and hope-destroying as tyranny over life and property. That is why the Fathers kept the government out of business. That is why Jefferson said that that government is best which "governs least."

A long-range viewpoint needed

NOW the trouble about democracy and *laissez faire*, just like moral conduct and health, is that it does not sound inviting at the moment. You only appreciate and understand it if you take the long look. In the Maryland Survey of the American Youth Commission, certain of the youth made such statements as these:

I am against the *laissez faire* system.
The Government should take care of everything.

The Government should control the whole country. It's the best thing.

The Government has plenty of money.
Let it give it out.

It's up to the Government.

The writer of the report summarized the attitude of the youth as "Cer-

tainly these youth of Maryland are clearly of the belief that that government is best which governs most." Seventy-five per cent said that government should regulate hours and wages, yet two-thirds failed to vote when they had the chance and more than half expressed doubt about the honesty of the government.

Such a situation will not be found in the totalitarian states. I once stood in the *Piazza di Popolo* at a Fascist demonstration and saw thousands of Italian boys and girls, black shirts and gilt emblems, with their teachers, men and women—all in uniform—raise their hands in loyalty to Italy on the march, and their hero, Mussolini. I saw them gazing at maps of Ancient Rome, Rome from Britain to the Euphrates, from the Ukraine to the Cataracts on the Nile and Gibraltar, pledging their allegiance to the restoration of the ancient boundaries.

In Germany I have seen the youth in uniform, the swastika on every lapel, Hitler's eloquent appeal on the walls of every youth hostel, and boys on their way to Nuremberg saying with hushed voices and uplifted hearts that they—they at last were to see the Fuehrer.

(Continued on page 95)

Nazi and Fascist youth are taught to love their chains.
American youth must be taught to love liberty





GEORGE LOHR

How older workers can find and keep jobs is one of the most baffling problems of the day

Finding a Job at Fifty

By EDWARD S. COWDRICK

IN WASHINGTON a few weeks ago there assembled a committee representing labor, employers and the public, appointed by the Secretary of Labor to seek solutions for the employment difficulties of the middle-aged and the elderly. A New York legislative committee has held hearings and presented a preliminary report on the same subject. The state of Massachusetts is experimenting with a new statute which undertakes, through publicity, to penalize the employer who discriminates against workers because of age.

The United States Bureau of Labor Statistics has just published the report of an inquiry into the chances of applicants of different ages at public employment offices. The International Labor Office at Geneva has given attention to the same set of problems.

DOES modern business—as charged—refuse to hire elderly workers? If so, why, and what can be done about it? Here is an experienced employment worker's view of one of the day's most discussed problems

These incidents, typical of a much larger number that could be recorded, show an extraordinary revival of interest in one of the most baffling questions confronting modern industry—the question of how workers who are no longer young can find and keep jobs. This is a problem distinct from that of providing retirement security for the superannuated. It concerns men and women of 35 and 40 and 50, many of them at the peak of their

physical and mental powers, who, it is claimed, suffer discrimination as to employment solely because of age.

The problem is not new. At least as early as 1839 an official British report commented on the difficulties of weavers more than 50 in getting employment. In 1866 a commission in Massachusetts was told that skilled craftsmen found jobs scarce after they had passed 40. In the prosperous years of the 1920's there was much

discussion of the employment problems of those who were loosely grouped as the "older" workers.

Probably the current resurgence of the problem is due at least partly to the fact that, during the recovery movement which ended in the later months of 1937, public attention temporarily was withdrawn from the general unemployment which seemed to be nearing a cure, and again was turned to the plight of special unemployed groups.

Nor is this chronic and recurring problem concerned wholly with industry. It is notorious in the civil service. It prevails in education—even in the church. An aging minister may possibly be called to a new charge, especially if he is eloquent and renowned, but the demands of congregations seeking new leaders are preponderantly for men whose ages are about 35.

Statistically, the plight of the mature worker does not seem to be getting worse. Quite the contrary is true, if the evidence of the United States census can be accepted. In 1890, of the entire population more than ten years old, those in the 45-64 age bracket accounted for 17.3 per cent. The corresponding percentage for those "gainfully occupied" was 20. That means that the proportion of

people working between the ages of 45 and 64 was greater than the proportion of people in that age group in the entire population. This disparity has increased, rather than diminished, in the subsequent decades of rapid mechanization of industry.

Figures are reassuring

THE census of 1920 showed the corresponding percentage as 20.6 and 23.8, and that of 1930 as 21.7 and 25.4. These figures, while they give reassuring evidence that the middle-aged and elderly workers are more than holding their own in employment, show also that the proportion of the American population above 45 is steadily growing, thus magnifying the seriousness of whatever employment problem there is.

At this point we shall do well to remind ourselves that there is a corresponding job problem of youth. The recent study by the Bureau of Labor Statistics revealed that, judging by applications at public employment offices, the greatest proportion of unemployment among men appears in the age groups 20-24 and 55-59 years, and among women at 20 and from 50 to 59. The difficulties of the youthful job-seekers may have social implications even more serious than those

of the elderly, but it is with the latter that we are here concerned.

What, then, are the counts in the indictment against industrial employers? There are two, which are different and call for different pleas in defense:

First, it is claimed that employers make a habit of systematically discharging workers who reach certain assumed "deadlines" in years. "Fired at 50" has become a phrase of reproach to industry.

Second, it is charged that employers, especially the larger companies, refuse to hire, as new employees, those who have passed some such maximum age limit as 40 or 45.

The statement that employers drop middle-aged workers because of their years, so far as it is intended to apply to the majority of large and responsible companies, simply isn't true. Doubtless there are concerns—Secretary Perkins knows about some of them—which deliberately dismiss veteran employees or refuse to take them back after plant shut-downs; but the big, national corporations, those which employ the largest numbers of workers and set the standards of personnel practice, go to extremes in exactly the opposite direction.

Employees of long service—and by and large these are the older workers—usually are the last to be laid off

(Continued on page 83)



It is upon society as a whole, rather than upon the employer or the employee, that the responsibility for the welfare of older persons must rest

GENDREAU

Probably It Isn't Romance

By RALPH M. CHIPURNOI
and HAROLD ELLISTON



IRIS BEATTY JOHNSON

"Later we went to the beach. We used the tray to set out our lunch"

A FEW years ago the president of a company which does a large business in an eastern metropolis was consulted by one of his buyers on the advisability of buying 500 trays for the sickroom.

The tray salesman had offered these trays with folding legs and an adjustable top for those who might want to read in bed.

"They're just the thing for sick people," the salesman had said.

The buyer wasn't much impressed but he asked the salesman to leave several samples and promised to talk to his superior.

The president of the company was not interested.

As he got up to leave, the buyer said: "Well, I'll leave you this sample. You might want to take it home."

It was Saturday and, when the president's secretary was leaving, he pointed to the tray and said:

"Take it with you. You might be able to use it some time."

Monday morning as the secretary seated herself at her desk, she said:

"I certainly appreciated that tray you gave me Saturday. My sister and I have an apartment. Yesterday morning I just felt lazy. I told her I wished

I could have my breakfast in bed. She said, 'Well, why not? You brought a tray home yesterday. I'll get it and see what I can do with it.'

"And did I enjoy that breakfast! After I had finished eating I tilted up the top and read the paper. Then later I felt so peped up we went to the beach. We took the tray and used it to set out our lunch. I didn't know that we had them in the store or I would have had one long ago."

By the time she finished, the president was on the phone instructing the buyer to get 2,000 trays at once, adding:

"Come up as soon as you have placed the order."

An important breakfast

THE advertising manager was called in. Together the three men worked out an ad for "Breakfast or Beach Trays." The advertisement ran two days later. It was repeated three days after that and again a week later.

That store sold more than 14,000 trays. Today they are still a fast moving item on their counters.

Fourteen thousand items sold just

because the president's secretary had her Sunday breakfast in bed!

And that brings up a question. Perhaps it has occurred to every business man, whether he deals in hundreds or millions of items annually:

What part does chance—or luck (if you prefer to give it that name)—play in modern retailing?

Can a man or an institution, by some stroke of good fortune, change the course of that business, give it an up-swing?

It sometimes seems that merchandis-



"When I bought it 47 years ago the clerk said it would last a lifetime"

ing organizations follow a set system in which the individual is just a cog. But rules can be broken and, in many cases, one of those cogs has been responsible for a sudden spurt in business.

In many instances a business may be running smoothly, with returns neither too good nor too bad, when chance, a stray idea, luck, good fortune, business intuition, or whatever you wish to call it, brings a sudden change.

Perhaps you as a merchant, or a customer, are familiar with some of these cases.

Ideas do not always come as quickly as they did to the merchant who sold the trays. He didn't create a new product. He simply used his imagination, gave an old product a new name and, with the effective use of advertising, created a new market.

But ideas alone cannot create new business. There must be real work and effort on many occasions.

For instance:

In the depth of the depression, buyers everywhere heard rumors that a bathroom scale was being made ready for the market, to retail at \$1.75, a then unheard of price for bathroom scales.

Buyers tried to track the rumor down.

One enterprising merchandise manager put two of his best men on the job and ordered them to locate the manufacturer. After several weeks of traveling, telephoning and letter writing, one of them learned that the scales were being made by a manufacturer who, before the depression, made carburetors. With auto sales falling off, he was turning to a new product.

Buying with imagination

THIS buyer was dispatched immediately to the factory. Once there, however, he could not get past the manufacturer's secretary who explained that his boss was going to make the scales available to all stores at the same time. There were to be no "firsts."

The buyer went back to his hotel room. There he wrote a letter to the manufacturer. He said he understood the manufacturer was looking for other products to make, and suggested two new items. He said he could explain how the manufacturer's present equipment might be used in making them.

The next morning there was a telephone call from the manufacturer's secretary. Would he call at two that afternoon?

Would he?

The buyer presented himself at the appointed time and was ushered into the manufacturer's office.

"I like your ideas, young man," he was told. "My secretary told me who you are. But

how do I make these things you suggest. Outline your plans to me."

The buyer did. At the end of half an hour he said:

"I tried all yesterday to get to talk to you about that new bathroom scale. My firm is eager to get them first in our city, first in the country, if we can. It would be a feather in my cap if I could report that I have been able to buy them. How many can I have and when?"

"Well," replied the manufacturer, "my capacity is somewhat limited and I had planned to spread them around the country. But you gave me two new ideas. In return, I'll let you have the first 1,000. It will be three days before I can turn out another thousand and they will have to be split up among a number of stores. You'll get yours first, I promise."

The manufacturer kept his word.

That first 1,000 sold in two days and, by the end of the month, with increased production at the factory, the store had sold more than 6,000 scales.

Another business man tells this story:

The New York salesman for an Ohio toy concern and the buyer for some basement departments of one of New York's largest stores exercised daily at the same athletic club. Late one fall afternoon they were playing handball. Between games the salesman remarked that toy business for the year certainly had been slack.

"Jack," he added, "you know your

The manufacturer called a policeman. "Throw that man out of my office," he said. "He won't believe that I mean what I say."



people don't give me the business they should."

The buyer laughed and replied:

"Oh, forget business. Let's play."

Later as they came out of the club, the salesman said:

"Come on down to the sample room. Look over some of the things I've got there."

To humor him, the buyer agreed to go. At the sample room all the employees had gone and the two men roamed through the aisles, picking up and discussing various toys. The buyer saw nothing outstanding, either in price or in attraction until he spied a blackboard hanging on the wall.

It was not much different than countless other toy boards but one or two little gadgets attracted the buyer.

"What's that sell for, Jim?" asked the buyer.

"Oh, that. You wouldn't want that."

"Well, perhaps I wouldn't. But what does it sell for?"

"In lots up to a 1,000, \$9.00 a dozen. But quit kidding, I'm hungry."

"Suppose I bought 2,000."

"You'd get them for \$8.00 a dozen."

"And if I took 5,000—"

"They would cost you \$7.50."

"Ten thousand would cost me—"

"Seven dollars a dozen and that's my bottom price. But you won't take them, anyway, so why waste all this time? Let's eat."

"Let's see them"

THE next morning the buyer talked with the merchandise manager, who hopped on the idea.

"Boy, I like that," he said. "Where are they? Let's go look at them."

They took the subway to the toy room, only to find that the salesman that morning had been called suddenly to the plant. But the men looked over the blackboards.

Coming out of the sample room, the merchandise manager said:

"You find that salesman and his boss and don't come back until you have bought up all the blackboards they have. We can sell them."

Arrived at the plant in another city the buyer explained his mission to the manufacturer. The salesman had left for Pittsburgh.

The manufacturer had 11,000 blackboards on hand. He would abide by the prices the salesman had quoted.

"But I won't ship a one," he told the buyer, "until I have a letter from the president of your firm verifying the order. I think you're crazy. You can't sell that many blackboards in five years."

In three days the necessary letters

had been exchanged and arrangements completed for the sale, payment to be made as the boards arrived at the warehouse in New York. The New York store had bought the entire stock.

Back in New York, the buyer, the merchandising manager and the advertising chief plotted the ad that would

combed for the missing blackboards. They could not be found.

In desperation, the buyer got the manufacturer on the phone, demanding to know what had happened to the shipment. Said the maker:

"I only sent you 6,000. That's more than you can sell and I didn't want to take advantage of your inexperience."

When the telephone conversation had ended the manufacturer had agreed to ship the remaining 5,000 by express and to make an additional 10,000 at once.

In three weeks the store sold 21,000 blackboards and sent back several hundred mail and telephone orders.

A \$20,000 sale from a game of handball!

Business has a habit of popping up from unexpected quarters as it did for this Philadelphia department store owner.

Most department stores figure to do 25 per cent of their annual business in the shopping days between Thanksgiving and Christmas.

The merchandise manager and buyer for the toy department in this particular store were ready to celebrate. They had already equalled their last year's Thanksgiving-to-Christmas volume and there were six shopping days left.

As they sat in the manager's office, a salesman called. He wanted to dispose of some toy reed rockers.

"I've got 1,800 of them. Make me an offer. I bought them in China last spring for delivery in San Francisco three weeks ago. Then the shipping strike tied up the port there.

The boat had to come around to Philadelphia. I've had them unloaded and they are on the pier now. Make me an offer, any offer."

"Make me an offer"

THE buyer explained they were not in the market for anything, especially reed rockers. Their toy buying had long since been done.

"Make me an offer, anyway," said the salesmen and he went on to describe the chairs, their construction, quality and saleability.

"You asked for it," said the buyer. "I'll give you 60 cents each for them."

"Sold."

The chairs were delivered that afternoon. A small advertisement was hurriedly prepared for the newspapers, offering the chairs at a dollar each.

(Continued on page 98)

"We can't refuse to deliver the furniture but we have to take a chance with the toughest guy in town to get our money."



place the boards before the newspaper reading public. Then the advertisement was given to all the newspapers.

At once customers began to come in for the blackboards, which were selling for 99 cents. Mail and telephone orders poured in.

In two days the warehouse sent a warning:

"You are oversold."

The merchandise manager called the warehouse.

"How can we be sold out?" he demanded. "Our records show we have sold only a few more than 7,500. We bought 11,000."

But the warehouse manager insisted they were oversold. He had received only 6,000 boards.

"You've got 5,000 more hidden away somewhere. Find them because we're going to keep on taking orders."

All that day freight yards were

Labor's Dividend from Profits

By WILLIAM FEATHER



COURTESY FORD MOTOR CO.

THREE is no better place in the universe than this earth and no better place on the earth than America.

Millions of people have come to America from other places and millions of others would come today if we would accommodate them. Few ever leave our shores once they are in.

The American workingman differs from all other workingmen on the earth. He assumes the position that nothing stands between him and the opportunity to do his work, and if that opportunity is closed to him he reasons that he is being deprived of the rights granted to him by the fundamental charters of his government. The American workingman has no superior as a man; he admits no superiority and claims none over any other. What the more successful are today, he expects to be tomorrow.

A compelling incentive drives the high-spirited and zealous American into the realm of business. Nowhere on earth has business a better promoter. He feels that what is good for business is good for everybody and what is good for everybody is good for him. He has



H. ARMSTRONG ROBERTS

The American workingman differs from all others. He has no superior as a man; admits no superiority and claims none over any other

We became wealthy because we produced more things at less cost and with less effort



COURTESY CHRYSLER CORP.

faith in the unlimited procurable wealth for everybody and believes that it can be obtained by going after it. He knows it is machine service that makes him free and that the proper program for business will give him that freedom.

Since all this is true, it is not surprising that American conditions are so misunderstood abroad and that the edi-

tor of the *London Sphere*, after surveying our resources of raw materials, our superior facilities of transportation and communication, and our tremendous purchasing power and banking resources, concludes that our inability to translate this into assured prosperity is a confession of the tragic ineptness of our leadership. Critics of American

Burroughs

ELECTRIC DUPLEX CALCULATOR

**DOES THE
COMPLETE JOB
IN A SINGLE
HANDLING OF THE
FIGURES**



This new Burroughs Electric Duplex Calculator—complete with direct subtraction and two sets of accumulating dials—saves needless steps in handling any accounting job. There is no second handling of the figures—no time or effort wasted. The two following examples illustrate typical savings:

INVOICING

It calculates the extensions and accumulates the results into a grand total; computes the discount; and, at a touch of the minus key, subtracts this discount from the gross to give the net result . . . all in one handling of the figures.

PAYROLLS

Computes the gross pay of each employee; totals various deductions; and, at a touch of the minus key, subtracts this total from the gross to give the net pay . . . all in one handling of the figures.

Other calculating jobs can be handled with equal speed and simplicity. For a demonstration—or full information—telephone the local Burroughs office.

BURROUGHS ADDING MACHINE COMPANY
6105 SECOND BOULEVARD, DETROIT, MICHIGAN

**INDIVIDUAL
TOTAL**
or the Result of a
Single Calculation
IN LOWER DIALS

Any amount in lower dials
may be added to, or sub-
tracted from, the amount
in upper dials by touching
the plus key or minus key

GRAND TOTAL
or the Net Result
IN UPPER DIALS

business are fond of telling what it has failed to accomplish, but they rarely give business credit for its share in the progress that has been made.

We have gone far

NO ONE denies that we have gone far in recent decades. All of us have comforts and conveniences that were unknown a generation ago. We have entertainment for the millions, cheap transportation, better streets and sidewalks and highways, cleaner factories and more attractive shops, better lighting and more sanitation. Who can imagine such progress without the influence of business?

The profit motive has forced constant improvement in radio and motion picture entertainment. It has brought to our tables fruits and vegetables that were almost unknown a few years ago. It has made us richer with household conveniences—electric toasters, stoves, refrigerators, vacuum cleaners, and razors—reducing the effort and the time we must give to ordinary tasks. Competition has improved the working conditions in our factories, making them safer and more pleasant to work in. It has supplied more comfortable and more efficient automobiles, widening the horizon for thousands of men who formerly lived in a narrow lane.

None of these accomplishments would have been possible without the profit motive. Men are impelled forward by the desire to make money with which to obtain the things they want. In seeking their own advancement they enrich us all. They produce goods that we want and sell them at prices we can afford to pay. If they don't, they go bankrupt.

Many schemes are proposed for the reform of business, nearly all of them by theorists who have had no business experience and who fail to recognize realities. The reformers overlook the risks which the business man must take; they assume that profits are certain, that failure is impossible, that the rules for operating a business are as definite as the multiplication table. To employers who have struggled with payrolls and production schedules and sales programs, such ideas are ridiculously childish.

Three-fourths of all that is printed about business is from the pens of writers who could not pass a primer examination on such matters as overhead expenses, cost accounting, turnover and mark-up. It is lack of knowledge, not willful misrepresentation, that is the basis of most of the unwarranted attacks.

If people could get it into their heads that profits breed profits and eventually reduce prices, most of the criticism directed at large business enterprises would be silenced.

When a railroad, for example, is not permitted to make a reasonable profit, it is unable to improve its roadbed, its terminals and its rolling stock. It must resort to makeshifts and temporary patching to keep going. It not only will make no money, but its customers suffer through lack of adequate service, its competitors take away part of its income, and the possibility of reducing charges becomes increasingly remote.

Suppose that the railroad is allowed to charge enough to make an adequate profit. Its engineers then point out

that, by straightening a curve or eliminating a heavy grade, twice as many cars can be hauled by a single locomotive, thus saving a considerable sum of money on each train.

Again, suppose the engineers demonstrate that, by spending \$1,000,000 on a terminal, the cost of switching can be cut in half, thus saving perhaps \$150,000 a year. If it has earned the money, or can command the money from investors, these improvements will be made. As they are made, earnings will increase to the point where freight rates can actually be reduced and service improved.

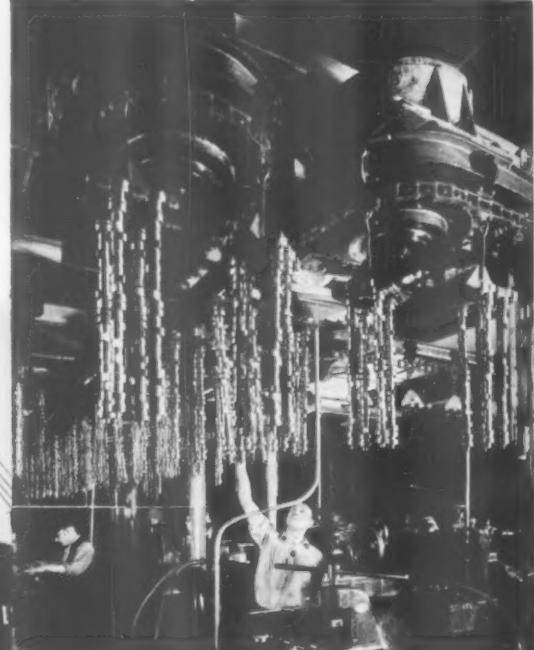
Profits improve wages

IN THE automobile industry, profits have been large enough to permit engineers to replace out-of-date machinery with the latest labor-saving devices. As a result, despite the high wage scale, the prices of automobiles have gone down steadily. Take away profits entirely, or curtail profits to the point of mere subsistence, and such records would be impossible.

Plants are enlarged, products are improved, and trade is extended through the re-investment of surplus profits.

The fact is that the interests of capital and labor are so interlocked that

UNDERWOOD & UNDERWOOD



COURTESY FORD MOTOR CO.

Profits have been large enough to permit installation of labor-saving devices and reduce costs

Without shovels, men would be paid starvation wages and their products would be more costly



Suppose there were no Life Insurance Agents

IT'S little or no exaggeration to say that if there were no life insurance agents, relatively few people would own life insurance.

Many thousands more of the women who are widowed and the children who are left fatherless, would be pitifully unprovided for, were it not for life insurance agents.

For it is a fact that, although life insurance is the surest way in which the average man can provide an immediate estate for his family, life insurance is not *bought*—it is sold. Only rarely does the man eligible for life insurance make the first move toward

getting that insurance.

And this is understandable. It is human nature to expect to live a full and normal lifetime. It is natural to expect catastrophe to happen to the other fellow, and not to one's self. It is only human for a man to have faith in his future, and to put off providing for that future.

Unfortunately, the best doesn't always happen. That is why it is fortunate for the average man, and for his wife and children, that there are such people as life insurance agents. Your agent does you a valuable service, often in spite of yourself.

This is Number 1 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. A copy of this advertisement will be mailed upon request.

**Metropolitan Life
Insurance Company**

(A MUTUAL COMPANY)

Frederick H. Ecker, Chairman of the Board
Leroy A. Lincoln, President

1 Madison Avenue, New York, N. Y.



there can be no prosperity for one without prosperity for the other. We hear much of "labor-saving" machinery. The very words seem to imply that machinery which "saves" labor must displace labor, making fewer jobs and lower wages. In particular instances this has occurred but, on the whole, the effect has been to multiply industries and the power of labor in supplying its own wants. Wages are to be judged high or low only in proportion to their power to supply human wants.

The fear that efficient methods will permanently displace labor is groundless. There is no labor-saving machine now in use that any sensible person would destroy for the sake of getting back to "the good old days."

Suppose all the steel shovels in the country were worn out and we had no way of replacing them. Imagine the loss to the nation during the period when men worked without shovels. It would take many men without shovels to do the work of one man with a shovel. During the period when men had to work without shovels they would be paid starvation wages, and yet they would produce so little that the products they made would be very expensive.

Progress is made by increasing the efficiency of our production. Raising

wages does not solve the problem. If we should double wages, the effect would be simply to double the cost of living, and we should be just where we were before. But when we increase the productive capacity of the workers, we can produce a greater quantity of goods at the same cost; the price of each article is reduced; each worker can buy more with the money he receives in wages.

How to help users

THIS is the whole story of American progress. We became the wealthiest nation on earth because we were able to produce more of the things we wanted at less cost and with less effort than the people of other countries.

The best way to help users of a product or service is not by renouncing legitimate profits, but by directing these profits into constructive channels.

I know a manufacturer of printing presses who has been in business many years. He might have cut the price of his presses by eliminating profits. Instead he devoted his surplus earnings to the invention and perfection of a radically new type of printing press. Possibly he spent half a million dollars in developing this new machine. As a result the printing industry now has a press that is 100 per cent more efficient than the machine it replaced. Printers can sell the product of this machine at a lower price, and all their customers share the benefits of this man's foresight.

This is the real function of profits. Eliminate profits and you eliminate the opportunity for research and experimental work.

The public has an exaggerated notion of the profits of business. The large gains of a few corporations are offset by the losses of many other corporations, so that, in a ten-year period, the margin of profit in business is no more than common interest. But the possibilities of large profits stimulate the imagination and lead men to take dangerous risks in the hope for great rewards. The world is thus served efficiently and economically, and the cost is insignificant. A few emerge with millions, while others who started with millions end up with nothing.

Private profit is the only compass that can be trusted to guide the destiny of human society. By placing our faith in private profit we can be certain that our economic activities will get on a sound basis. Those who strive for profit must take the risk of loss. If they are headed in the wrong direction, their losses will stop them before they wreck everything. When they find a steadily growing profit in what they are doing, that in itself is a warrant from the public to go ahead. Others, attracted by the desire for profit, will follow the lead of the pioneers. Slowly, but surely, all industry will follow.

What we know as profits are secured to the business man by the operation of a natural law under which efficiency and usefulness are as certainly rewarded as inefficiency and shiftlessness are penalized.

Only a man who has been in business for himself realizes how relentless is the economic law by which he is led to work for the benefit of the public even more than for himself.

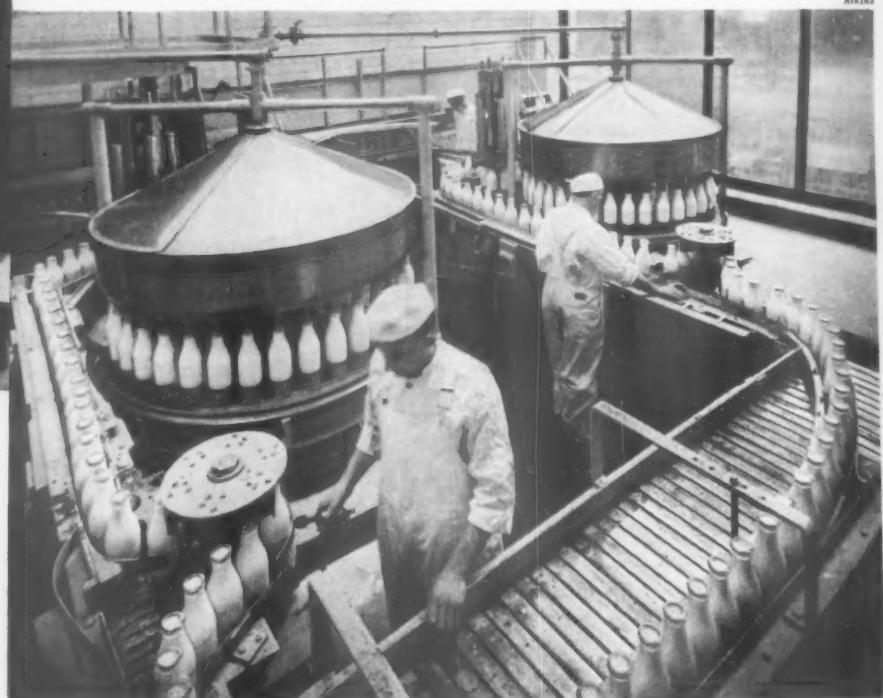
The community actually gets more profit out of a profitable institution
(Continued on page 111)



WESTINGHOUSE PHOTO

The profit motive has forced improvement and made us richer with household conveniences

Business seldom gets credit for providing cleaner factories, better lighting and more sanitation



How COMPTOMETER Serves The Timken Roller Bearing Co.

When you travel by train, plane, automobile or elevator, chances are that Timken Tapered Roller Bearings are involved. For friction is Industrial Enemy Number 1—and Timken Bearings help Industry banish friction.

Small wonder that The Timken Roller Bearing Company, respectful of efficiency and modern methods, uses both Standard Model J and Electric Model K Comptometers to handle its figure work.

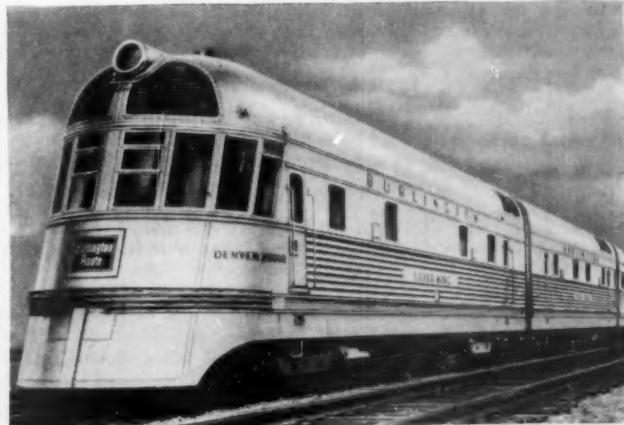
The Timken Company is proud of the durability of its products, appreciates the durability and dependability of the Comptometer which has given it years of service with a minimum of repair cost.



Airy, well-lighted rooms contribute to Comptometer efficiency. Here is one of The Timken Company's Comptometer batteries, producing vital figure work quickly and accurately at low cost. The Controlled-Key, exclusive Comptometer feature which eliminates "fumbled" key strokes, helps these trained operators maintain highest degree of first-time accuracy.



The Electric Model K Comptometer shown above compiles statistics on the production of Timken Seamless Tubing under the able fingers of Miss Jane Swan.



Timken Bearings contribute to the speed and comfort of the Burlington "Zephyr" trains. Both The Timken Roller Bearing Company and the Burlington Railroad use the Comptometer for efficient, economical handling of vital figure work.

If you recognize the importance of figure-work efficiency to the profitable conduct of your business, permit us to show you how Comptometer methods save precious minutes and money for progressive concerns in every industrial field. Simply telephone your local Comptometer representative, or write direct to the Felt & Tarrant Mfg. Co., 1712 N. Paulina Street, Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

No Business Can Escape Change

"What helps business helps you." Business freedom promotes new products for living

1 • A NEW PAINT, entirely odorless, dries in half an hour. It is mixed with water but becomes insoluble and is washable. A synthetic resin emulsion, it is recommended for indoor use but can be used outdoors successfully in some cases.

2 • A NOVEL extractor quickly unscrews broken pipe and studs. It takes a strong bite without hammering or expanding the pipe end. The set handles pipe from $\frac{1}{2}$ " to 2".

3 • A NEW line of lacquers is particularly resistant to perspiration, soap, and water. They're recommended for use on handles of objects that are held in the hands.

4 • A METHOD of watering lawns or flower beds without spray utilizes a porous canvas water hose at the end of a rubber hose. It waters without waste on driveways or walks, particularly efficient for hedges and narrow plots.

5 • A STORAGE battery for use under the hoods of certain new automobiles has a novel device to prevent spraying acid on delicate engine parts. It is a device in the neck which prevents filling to the point where there is insufficient room for acid expansion.

6 • A PHOTOFLASH lamp so small that 18 may be carried in a coat pocket contains both metal foil and wire. The flash is timed so that cameras synchronized for older bulbs need not be reset.

7 • FOR TESTING films of paint, varnish, etc., coats of definite predetermined thickness are available in one or more test patches with a new applicator.

8 • REINFORCED industrial leather gloves for handling abrasives, castings, brick and many other materials are now available. The reinforcement consists of small metal staples placed close together to provide a wearing surface without destroying the natural flexibility of the glove.

9 • A SPOOL with a single head and specially wound thread is said to assure more even unwinding for button thread.

10 • A NEW size for various rayons may be mixed with cold water and run cold. It has good penetration, insures uniform results, is easily rinsed out.

11 • A HELMET supplied with clean compressed air gives safety to workmen in atmospheres involving dust or other contaminations.

12 • PARTICULARLY attractive to women drivers is a novel gadget of small size which enables one quickly and easily to inflate a tire having a small leak to get to a service station for repair.

13 • A MACHINE for removing railroad cross ties enables one man to do the job in six minutes. It does not move the rail, works equally well in several types of road bed.

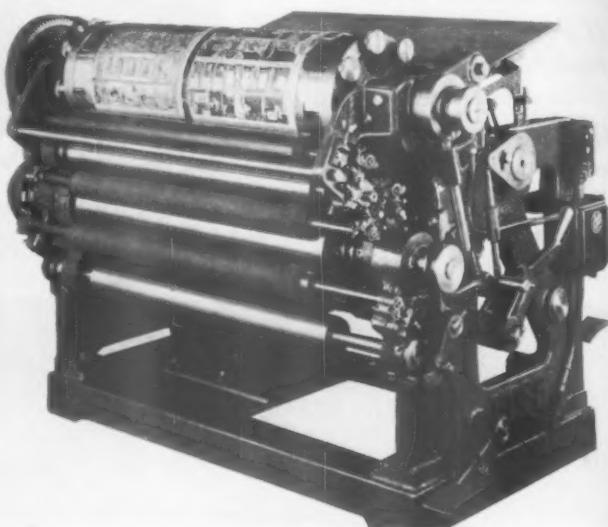
14 • A LOCK with a new type cylinder said to be unpickable has just been developed. The new cylinder can be used to replace cylinders of old locks.

15 • A SMALL cheap blueprinting outfit, complete with light, trays, chemicals, and paper, is intended for personal use and for small branch offices. Its capacity is up to 9" by 18".

16 • A NEW self-fluxing method for use in brazing accurately controls the amount of flux and eliminates porosity in the joint. The flux, a liquid, is evaporated into the fuel gas. Crystallization and slag on the weld are avoided. It is used on steel, cast iron, copper, and some alloys.

17 • A FLAT top chain conveyor capable of operating in two planes is particularly suited for handling bottles, jars, and cans. It permits sprocket engagement on either side or underneath. Flexibility allows one long conveyor to take the place of several short ones.

18 • A NEW three-phase alternating current motor and controller give variable speed from near zero to higher than synchronous speed without rheostat losses. It has near constant torque, across-the-line starting, remote control if required.



19 • A novel machine allows pressmen to register plates and complete makeready before plates and packing are transferred to the printing press, saving on unproductive time. It is more accessible than the printing press for makeready.

20 • A SELF-OPERATED temperature controller for steam heated industrial processes controls the temperature with high accuracy and rapid response, regardless of changes in the supply pressure. It is packless, springless.

21 • A TEST paper for rapid determination of approximate acidity has a wide range from strongly acid (pH 2), to strongly alkaline (pH 10), with five distinct colors from red to blue for different stages of acidity.

22 • A NOVEL device for watering roots of trees, shrubs, flower beds is a hollow spear with water holes near the point and hose connection and stopcock at the handle. It puts water near the roots—can be used to soak in fertilizer.

23 • A RADIO receiving set allows one to select programs for 24 hours in advance. Plugs inserted at any quarter-hour point tune in the station wanted, other plugs silence the radio or tune in other stations.

24 • ELECTRIC motors in which glass tape is used as insulation are said to withstand severe operating conditions—heavy overloads and higher operating temperatures.

—WILLARD L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

'Spot" Heat TOOL OF A THOUSAND USES

URNS AND KETTLES—C-H Immersion Heaters are used in hundreds of applications from stills and sterilizers to restaurant equipment and industrial kettles.

C-H SPACE HEATER
"2 feet of electrical heat"—portable, lightweight, efficient.

So many and so varied are the uses of electrical heat that every manufacturer and processor should investigate it thoroughly. Electric heat is easily and safely confined to point of actual use. No open flame, no combustion gases. Heat losses are restricted, preventing high room temperatures. Operator, equipment and product are protected. Cutler-Hammer heaters are so flexible, you can "bend" them to a thousand uses . . . in a minimum of space and weight, with extreme economy. If you use "spot" heat . . . or if your space heat requirements are unusual, write for full details. CUTLER-HAMMER, Inc., Pioneer Manufacturers of Electric Control Apparatus, 1251 St. Paul Avenue, Milwaukee, Wisconsin.

C-H CONDUCTION HEATER (above) and C-H TUBULAR HEATER (right) can be bent almost to any shape, used wherever controlled heat is required.

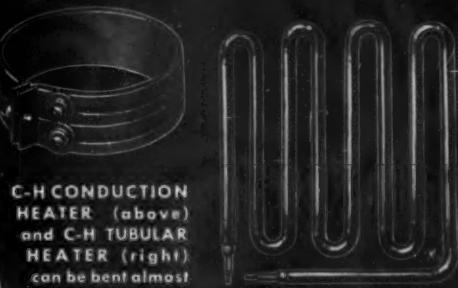
HAIR WAVING MACHINES—Many problems of safety, convenience, and control can be solved by C-H "Spot" Heaters.

HEATED PRESSES—C-H Conduction Heaters are used with presses of many kinds from ironing machines to Bakelite molding presses, etc.



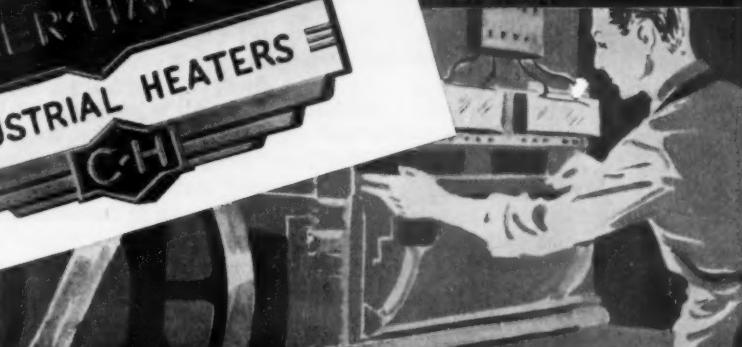
UNIT HEATERS—C-H Specially Formed Tubular Heater is cast into fin construction.

WATER HEATING—Use of electric water heating is growing rapidly for both domestic and industrial purposes because of its cleanliness, convenience, and easy automatic control.



C-H CONDUCTION HEATER (above) and C-H TUBULAR HEATER (right) can be bent almost to any shape, used wherever controlled heat is required.

SHOE-STITCHING MACHINE
C-H Conduction Heater simplifies thread waxing.



EMBOSSING MACHINES—Many similar problems have been easily and simply solved with C-H Heaters.



SPACE HEATING—Incubators, ovens, crane cabs, hundreds of heating problems find simple answers in C-H Strip Heaters.

Washington and Your Business

By HERBERT COREY

"I Take My Pen In Hand...."

another letter comes in with this kind of an introduction—

"I take my pen in hand...."

Congress bites its collective lips. A man who writes in that tone must be reckoned with. If he likes what Congress is doing, that kind of a man does not write, because writing is a physical effort and an intellectual strain to him. When he does write, he can give reasons for his protest. Letters which may have been promoted may be neglected to a certain extent although the signers would not have written if they were not interested. Telegrams rate by the pound. Four pounds pro outweigh three pounds in opposition. A pen-in-hand letter means that the writer has convictions and may have friends and relatives. Convictions translate into votes.

"Nobody Knows" Season Coming

ing in the country stores back home:

"The Republicans will gain 60 seats and 30 New Dealers will be displaced by old line Democrats."

Any one who can pick the 90 changes can beat the numbers game.

Have You Spies In Your Hair?

Moody's Annual for 1928 with a "Strictly Confidential" sticker on it. But those who should know say the crawlers are on us again. This is not intended as a scare. Merely passing on a warning.

Not So Much War Dancing?

future. A little to the heavy father side, perhaps, and likely to move a minatory eyebrow when a corporation comes in the room, but not tough. There is, according to the watchers, a distinct disposition to work out plans for the future without going into the routine for the war dance.

Hide-and-Go-Seek Game

the majority members to dampen down the natural curiosity about (A) that Berry deal which went mouldy in the icebox and (B) Congressman May's persistent assertions that hydro-electricity costs more to make at the Government's dams than if coal had been burned and a flagging industry revived they will be given the big jeer.

NO HOMING pigeon ever longed more eagerly for a sight of the Old Barn than Congress has during the past month. Congress has been so homesick it could cry. Every time

But if they can make the majority open up these sore spots the late Harry Houdini would by comparison be a petrified man in the Petrified Forest. Senators Borah and McNary seem to have known what was what when they refused to play.

States' Rights Coming Again?

are following suit. The federal Government is cooperating, of course, but Mr. Baker does not think the federal Government should exercise compulsion.

"Is it conceivable," he asks, "that congress could frame a law" which would be equally equitable in all states?

He goes so far as to say that the soil of the states can be preserved in the old-fashioned "thoroughly democratic" way, and that landowners are quite as much interested in preserving their own land as any one in Washington could possibly be.

Don't Bet On This Hunch

REPORTED as a matter of interest but without guarantee: A young man sat at a table in the National Press Club and said:

"I'll bet money that Ohio returns one new senator and 15 new Congressmen this fall."

He could only mean Senator Bulkley, of course. Nineteen of Ohio's 22 congressmen are now Democrats. The young man had the money. No one covered it.

"All Out of Step But Moriarity"

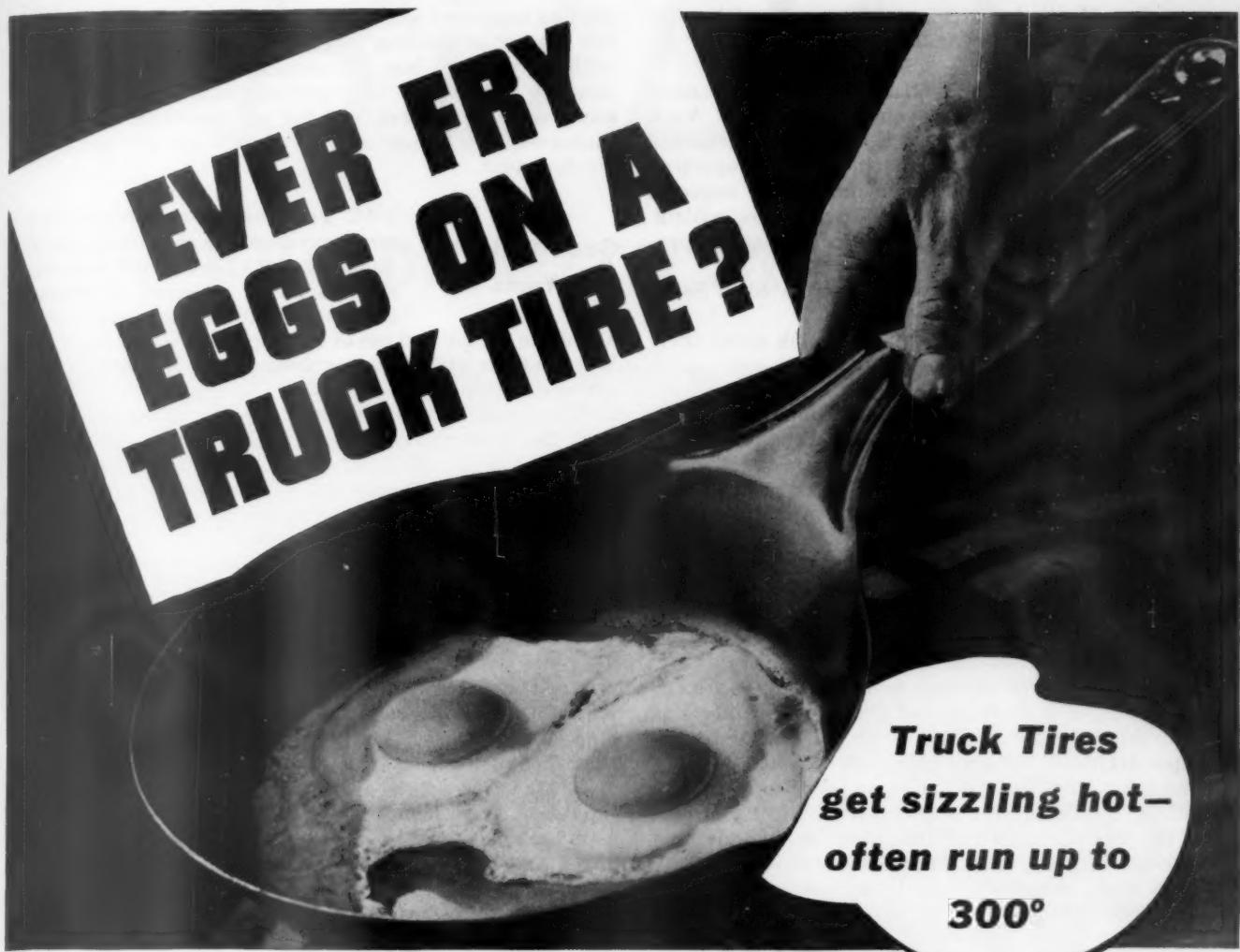
PREVAILING opinion on Capitol Hill is that President Roosevelt has lost control of Congress. This without regard to the vote on the Re-organization Bill, which in its finally amended form contained many good things and at its worst may not have been as bad as charged. There are practical political reasons why no President is as strong in his second term as in his first and no Administration has ever been able to carry the weight of a depression. Oldtimers think that Congress will show an increasingly friendly attitude toward business and this kindness will be shared by many prominent figures in the Administration. No marked change is to be anticipated in the presidential attitude, however.

"The Gainesville speech showed that," they say.

Continuing To Talk Politics

SOME old-fashioned shotguns had three barrels. Two carried birdshot, and the third was rifled in case the hunter might meet a bear. The birdshot barrels in the refusal of the House to grant the initial appropriation for the \$112,000,000 Gilbertsville dam in Kentucky were the possible envy of Congressmen not in the T.V.A.'s circle of largess and the statements of the engineers that the dam would back up water into a 30 mile long lake which storms would make dangerous for flat-bottomed river barges. The rifle barrel was loaded with Kentucky politics. Governor "Happy" Chandler is racing for the senatorial nomination against Alben Barkley, the leader of the senatorial majority:

"Chandler's friends did not want President Roosevelt



Truck Tires
get sizzling hot—
often run up to
300°

New Goodrich Tire Runs Cooler—Stands Up on Toughest Hauls

• Load and speed send truck tire temperatures zooming upward. Tires get hotter than boiling water. Hot enough to fry eggs.

And it's heat that kills off truck tires while they are still young. You can blame most premature failures on heat caused by heavy loads and high speeds.

Goodrich wanted to save truckers money. So Goodrich built a new kind of tire—one that does not run dangerously hot!

NEW KIND OF CORD

Engineers invented a new way to make tire cord. They used pure American cotton, processed it to make it more compact, stronger, more elastic.

They call it Hi-Flex Cord because it resists the damaging results of constant flexing. It's an amazing type of cord that can take the sledge-hammer blows of the highway without losing its strength and elasticity. It doesn't get lifeless like ordi-

nary cord. It doesn't stretch and become longer, permitting the tire to "grow."

It's a long-life cord which makes it possible for Goodrich to build a super-strong tire. Yet a tire that does not depend on thickness alone for its strength. It's a compact tire that runs cooler—stays below the temperature danger point.

EXCLUSIVELY GOODRICH

Hi-Flex Cord is made in Goodrich's own mills by its own exclusive process.

Combined with two other great Goodrich developments, it provides Triple Protection—triple savings for you. No other tire gives you these 3 features:

1 PLYFLEX—a tough outer ply which distributes stresses throughout the tire and prevents local weakness.

2 PLY-LOCK—a new method of locking the plies about the beads, anchoring them in place.

3 HI-FLEX CORD—full-floated in live rubber—cord that retains its strength and protects the tire against getting dangerously hot.

Here's proof of how good these tires really are. They were run on tire-killing jobs where other tires failed. Tested on high-speed cross-country bus runs.

And the revolutionary new Goodrich Silvertowns ran two and three times longer than the best tires used before.

NO EXTRA COST

You can now get these same tires for your trucks. Use them on any haul. Save on every mile. They are premium tires but they carry no premium price.

Don't let another day go by without checking up on this big opportunity to save money. Phone your Goodrich dealer or Goodrich Silver-town Store.



Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

to come into Kentucky with a gold trowel and lay the cornerstone in friendship for 'Dear Alben.'"

Rebellion At Grass Roots

"SAM" WILLIAMS, who was one of the stars on the old New York *World*, returned from a widespread visit with business men, reported:

"There is an increasing anger at the use of the instrument of taxation to punish or control. Business men think that a tax should be a means of producing revenue and nothing else."

That recalls a statement recently attributed to Senator Burton K. Wheeler:

"People back home are beginning to think about their government and what it means to them."

Invitation To Insolvency

THE people back home had better begin to think about what their government means to them, in the opinion of Carl P. Herbert, director of the St. Paul Bureau of Municipal Research, who testified before the Byrnes Special Committee of the Senate on behalf of himself and 17 other research directors. His statement is too frightening to be used here. This department is firmly resolved to join the rest of the 127,000,000 Americans and keep its eyes tight shut. But just a taste of his statement:

"In 1923 in seven out of eight representative cities the *per capita* cost of work relief and old age assistance was less than 50 cents out of a total *per capita* cost for all municipal activities ranging from \$38 to \$40."

In the same cities in 1936 the same relief costs ranged from \$23.88 to \$38.54. But he found the difficulty of getting at the true situation startling. "Confusion and division of accounting authority and lack of records."

Herbert and his associates find that insolvency is certain unless we brace up.

Trifling With Lèse-majesté?

"Company unions are increasing in number. Not so much paper in them. Many solid unions now."

In view of the attitude of the National Labor Relations Board toward company unions this sounds contumacious.

Radio Is Ready To Fight Back

Practically everything. However, interested persons say that:

"The billion dollar industry is now being organized. It will be in a position to fight back."

A mild effort on the part of the industry to get the present congress to investigate the F.C.C. was squelched "by orders of the Administration. We are reasonably certain the next congress will act. We can be plenty contumacious if we are forced."

Headaches In This Booklet

CONDITIONS in Canada and the United States are fundamentally much alike. Same farms, factories, labor troubles, bankers. The principal difference has been political. During the depression Canada has interfered very little with business, has held relief costs down, has done no governmental pump-priming, did not try to spend its way out.

The National Industrial Conference Board has published a comparative study of conditions here and across the northern border. Canada's percentage of exports in

1937 as compared with 1929 is one-half larger than ours, her mining production is 39 per cent greater compared with six per cent less, her manufacturing production in January of this year is 84 per cent of that of 1929 compared with 60 per cent, and her *per capita* national debt increased only 36 per cent as against our 115 per cent. No comment.

Good Trick If It Works

about the nature and use of electricity were publicly fried because their little booklets were made available to such schools as asked for them:

"They sought to debauch the youth of our nation," said the government investigators in millions of hot words.

No one thought then of asking congress to investigate the investigators. Time does march on, sure enough.

Why Poison Your Own Dog?

red for the first time in 17 years. There was a time when we had the best railroad service in the world. Then government expanded its regulatory powers into interference. Today we have the finest telephone service in the world. It is not only the most efficient but it is the least expensive. American business is what it is in part at least because a sales agent in California can pick up his phone and burn the ears off the production manager in Newark. President Gifford says—in effect—that the telephone experts know more about their business than Commissioner Walker.

Sample of How Experts Do It

"Let it alone," he said. "We tried it, and it isn't practical."

Any one who ever tried to talk through a French hand-set in France could swear to that. Telephone service in Paris today is superbly poor. The A. T. & T. experts worked on the French hand-set for seven or eight years before it could stand up under American conditions. But when they were through it was o.k.

Gleam of Light On Stormy Sea

which the roads were refused the 15 per cent increase in rates they had asked:

"The maintenance of an adequate system of transportation by railroad is vastly more important to shippers than is the exact level of freight rates."

Indications to date are that congress prefers to hold to telephones that can be talked through.

Folks Back Home Are Stirred Up

facts are offered:

An examination of 2,156 editorials printed before the

THE government-ownership-yardstick attack on the utilities began by an inquiry by a government commission. A lot of innocent professors who had written harmless pieces

about the nature and use of electricity were publicly fried because their little booklets were made available to such schools as asked for them:

"They sought to debauch the youth of our nation," said the government investigators in millions of hot words.

No one thought then of asking congress to investigate the investigators. Time does march on, sure enough.

IT MAY have been a break for the A.T. & T. that Commissioner Walker of the F.C.C. turned his one-man report in to Congress just at the moment that the railroads are in the

YEARS ago a ranking official of the British post office, which operates the British telephone system, saw a French hand-set in an A.T. & T. laboratory:

"Let it alone," he said. "We tried it, and it isn't practical."

BEFORE government undertakes to manage another great industry it might ponder a line from the dissenting opinion of Commissioner Mahaffie of the I.C.C. in the case in which the roads were refused the 15 per cent increase in rates they had asked:

"The maintenance of an adequate system of transportation by railroad is vastly more important to shippers than is the exact level of freight rates."

Indications to date are that congress prefers to hold to telephones that can be talked through.

REASON for that somewhat brash assertion is that the folks back home know more about the case for corporations than they ever did before. In support of this statement these

WHY **BUDD**

BUILDS WITH STAINLESS STEEL



THE safety record of American railroads is one of the most remarkable achievements of modern times. To the Edw. G. Budd Manufacturing Company, the maintenance of this record is of paramount importance.

Safety always has been, is today, and will continue to be the first consideration in building Budd cars. It is the one fixed factor, invariable, admitting of no compromise. Only after every requirement of safety has been scrupulously fulfilled does Budd proceed to eliminate dead-weight . . . to pare down the excess burden imposed by outmoded construction and unimproved materials.

That policy has produced Budd's modern streamliners of stainless steel.

Before building Budd cars we tested many materials. Stainless steel—the most expensive structural steel in the world—proved best. Why? Because, pound for pound, it has four times the elastic strength of ordinary steel.

With it we could put safety first and still build truly lightweight cars. The problem then became one of fabrication.

Neither riveting nor the usual welding method was wholly satisfactory. But stainless steel was so perfect for the job, and we were so determined to use it, that we spent years in developing a new method of fabrication. This is the SHOTWELD[★] process . . . discovered, perfected and controlled exclusively by Budd.

Budd stainless-steel cars have proved their strength and safety. Swift, light, comfortable, they attract passengers wherever they are put into service.

Originator of ALL STEEL[★] bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

★ Reg. U. S. Pat. Off.

**BUDD METHODS SAFELY
ELIMINATE DEAD-WEIGHT**

EDW. G. BUDD MANUFACTURING CO. PHILADELPHIA
AND DETROIT

decision in the rate case shows that 1,896 favored an increase. Since the decision was rendered, 723 of 858 editorials examined were to the effect that the I.C.C. had not granted enough relief. Of 1,253 editorials on the 70-car train limit bill, 1,202 were in opposition, 36 favored it, and 15 were non-committal. Of 1,863 editorials on railroads in general, 1,839 complimented today's service. This could not have happened two years ago. Capitol Hill, incidentally, reports the train limit bill is dead.

Speaking of Mr. Mahaffie—

one of the least publicized members of the I.C.C. seems practically forced. He is slender, reticent, self-possessed, 64 years old, born in Olathe, Kan. He was a Rhodes Scholar and took post-graduate work at Oxford, England, an instructor in jurisprudence at Princeton, solicitor of the Department of the Interior, attorney for the U.S.R.R. Administration, and after a period as director of finance for the I.C.C. was appointed commissioner. He lives in a quiet little house in Alexandria, he likes it, his wife is an artist, she likes it, and he likes his work. He has had numerous opportunities to join various of the great law firms in New York for a great deal more money and has refused because he thinks he would not like it. None of this came from him. Mahaffie does not talk about Mahaffie.

"Poor Devils Are Dying"

March, long rated as one of its conservative members, came away with the opinion that:

"The F.T.C. will lean over backward in its effort to give honest business a break."

This may be occasioned in part by the fact that, under the revised law, the F.T.C. can control business without the no doubt infuriating opposition of the past.

Don't Kick This Dog Around

done better. It was cold blooded, unswervable and non-political.

The Brookings Institution is built along the same line. It is filled with experts who only want facts, no matter how many heads it bloats. In its report on the proposed reorganization of the Government it stated that some agency must be set up to do what the Bureau of Efficiency once did if the reorganization was to be wholly successful.

There has not been a responsive rumble on Capitol Hill. There hasn't been a peep.

More Trouble In The Brew-pot

workers. It would remove railroad employees from the various state insurance plans, which railroad labor contends do not adequately cover railroad workers whose employment is interstate.

But it might do a little more than that.

If it puts the railroads in a basket separate from other industries, what is to prevent other industries of an interstate character being ultimately dropped into the same

SO much attention has been aroused in legal circles by Commissioner Mahaffie's opinion, in which he dissenting in part from that of the majority, that a brief reading notice for

basket? What effect would that have on the Social Security set-up?

Chisel, Chisel, Who's Got It?

THIS recalls that Herman A. Gray, chairman of the New York State Unemployment Insurance Advisory Council, charged before a Senate committee that, in 1937, the Treasury retained approximately \$25,000,000 out of money collected ostensibly for relief, and which should have been turned back to the states for the administration of their unemployed benefit programs.

"This amounts to about one-half of the ten per cent of the pay roll tax which is ear-marked for administration purposes," he said. "Meanwhile every state system of unemployment insurance is threatened with breakdown because of insufficient funds."

What Are The Rockies Worth?

THIS department was annoyed by the necessity some time ago of reporting a new idea in government finance. Instead of including merely cash on hand and debts payable in the audit, certain assets were to be considered. Battleships, mountains, lakes, rivers, dust bowls, codfish, mines and what not were to be put on the right side of the ledger. That looks like a sure way to avert national insolvency. If the debts rose too high the discrepancy could be corrected by merely marking the Rocky Mountains up to a new figure. So far as I can discover, David Cushman Coyle is the author of this engaging thought. He is an adviser to the National Planning Board and one of the foremost advocates of bigger and higher taxes.

"When You Say That, Smile"

CHAIRMAN Jesse Jones of the R.F.C. told a senate committee that he had \$1,500,000,000 to lend out under the Glass bill. But this seems to have been merely an unused authorization to draw on the U. S. Treasury. The puzzle is added to by the action of the House in authorizing him to draw it. So he didn't have it? Or did he? And is it in cash in the Treasury, or must Mr. Morgenthau sell some more bonds? At any rate a wise-cracker got into deep trouble with Mr. Jones.

"Does this mean that during the Roosevelt Depression American business is on relief?"

Mr. Jones gave a bull-chested snort.

"He was mad as hell," the wise-cracker said.

Cold Compress On Our Brows

ANOTHER of the signs that the fever is being worked out of the national body is that the 1937 gold medal for contributing most to "The Advancement of Advertising as a Social Force" was won by Doremus and Company by a series of advertisements written for its client, the Bank of New York and Trust Company. The part that big business has done in improving the lot of the wage earner was briefly discussed. It showed that the worker is receiving a steadily increasing proportion of all income available.

"If all the profits of all the corporations reporting for income tax purposes had been turned over to the workers, the resultant increase in wages would have been less than eight per cent. If the total of all incomes exceeding \$5,000 in 1935 had been turned over to the Government the sum collected would pay only one-fifth the present annual cost of Government. The great bulk of the tax bill must be paid by the small wage earner."

Maybe it will not be necessary for Senator La Follette to slap an income tax on the little man to make him know he pays.

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Quality Folks"*

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and a nod of approval from the one
who serves it. Pabst has won such
acclaim through five generations.

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GOOD TASTE FOR 94 YEARS



Loading cotton in the San Joaquin Valley, California, where the boll weevil is unknown



The drouth refugee problem has been materially alleviated by employment of migratory labor in new cotton fields

Trek to California



Oklahoma families headed for California cotton fields

THE doubling of cotton production in California in a single year—from 239,168 bales in the fiscal year of 1936, to 441,754 bales in the fiscal year of 1937, which ended May 31, and a further increase to 606,000 bales for the fiscal year of 1938—is traced to the arrival in that state of thousands of farmers and farm-laborers from the central states. California cotton growers, expecting much of the farm-labor migration to become a permanent settlement, have enlarged their cotton acreage to take advantage of the increased supplies of farm labor. Approximately 70,000 additional acres are going into cotton next year.

The novelty is that for the first time in world history a vast cotton-producing area is almost completely manned by white labor. Cotton now shares in the phenom-



Former prairie farm-wife, now a cotton picker

California Cotton Fields



Temporary shelters for migratory cotton pickers and a familiar sign along San Joaquin Valley highways

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mon of the past three years which have seen the erstwhile Mexican and Filipino ranch laborers displaced by white farm laborers from the Central States.

Cotton growers in Kern County, where 50,000 of the new cotton acres are located, state that they fear an actual shortage of labor.

Moreover, this western state where white men for the first time perform the work necessary to cotton production, is now the only cotton-producing state that is free from the cotton boll weevil or any of its varieties, and the pink bollworm of cotton, according to A. C. Fleury, Chief of the Bureau of Plant Quarantine of the California State Department of Agriculture.

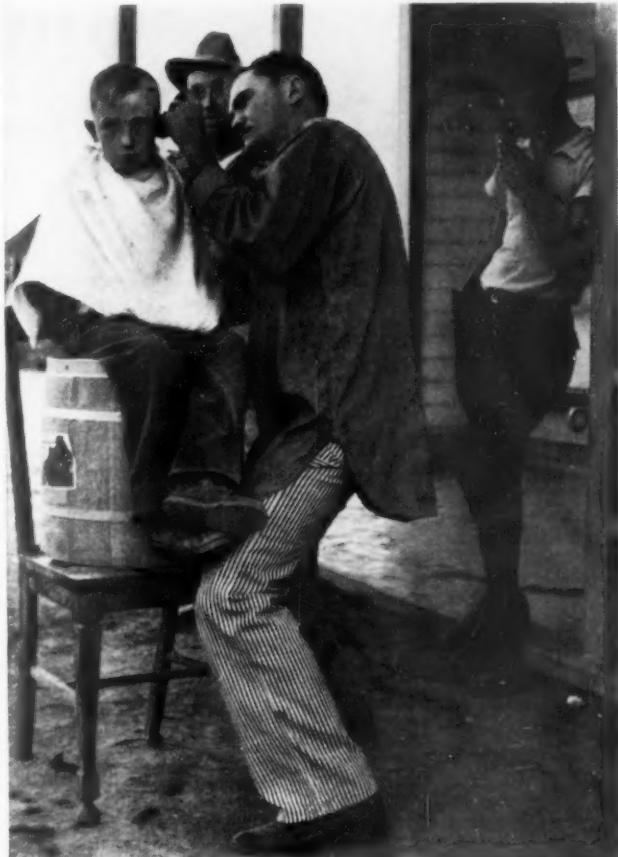
California, with white labor, moreover, produced the highest yield per acre in the country in 1935—574 pounds of lint cotton per acre.

Cotton has now marched around the world, leaving in its wake wars, both international and civil, and economic crises which have ushered in whole new economic and industrial ages. And if a large part of the drought-driven farm labor migration to California is to take up cotton production, some re-orientations in cotton economics may be expected.

Pressure has already appeared in California to devote some acreage now in fruits and vegetables to cotton. In an area so far free of boll weevil and other cotton pests and diseases, where already 30.1 per cent of all the large-scale cotton ranches—plantations, if you like—in the nation exist, this may become an important impact on agricultural economics, with repercussions throughout the entire cotton belt.

California's present 606,000 bales, against the 2,938,479 bales produced by Texas, is significant only in its rapid increase and in the fact that it is undamaged, unstained cotton of the best long-staple varieties, Egyptian, Durango, Pima and Upland.

It isn't generally realized that this country imported an average of almost 400,000 bales of this same type long staple cotton during the years 1926-30 and 220,000 bales in 1936.—KHYBER FORRESTER.



Cotton pickers' barber shop in Kern County

Leaders in the March of Business



Dr. Paul D. Merica

BLANK & STOLLER



R. J. Wysor of Republic Steel



Henry R. Kinsey

ACME



M. W. Clement



Hiram S. Rivitz

DR. PAUL D. MERICA, vice president of the International Nickel Company, received the 34th John Fritz Medal, one of the highest awards bestowed by the engineering profession, in recognition of his "important contributions to the development of alloys for industrial uses." Dr. Merica, 49, shares, with the late Marconi, the distinction of being the youngest recipient of the medal.

R. J. Wysor, president, Republic Steel Corporation, whose company recently opened its new 98 inch hot and cold strip mills on a 182-acre site six miles from the mouth of the Cuyahoga river near Cleveland. Although geared to high-speed production of nearly 1,000,000 tons a year, the mill is designed to turn out relatively small orders of specially processed steel efficiently. The plant has a potential employment capacity of 2,000 men.

Henry R. Kinsey, head of the Williamsburgh Savings Bank of Brooklyn and president of the National Association of Mutual Savings Banks, who received an honorary scroll from the American Institute of Banking in reward for his services to banking. Since 1903 he has been active in Institute and Association activities.

M. W. Clement, president of the Pennsylvania Railroad, whose company has just assembled and put in service 11 new streamlined electric passenger locomotives for service on the recently electrified line between Philadelphia and Harrisburg. The road now has 202 electric engines in service.

Hiram S. Rivitz, president Industrial Rayon Corporation, whose company is completing a new \$11,500,000 plant near Painesville, Ohio, 40 miles east of Cleveland. A new process of manufacturing viscose rayon yarn which has been developed over a five-year experimental period will be inaugurated.

ness

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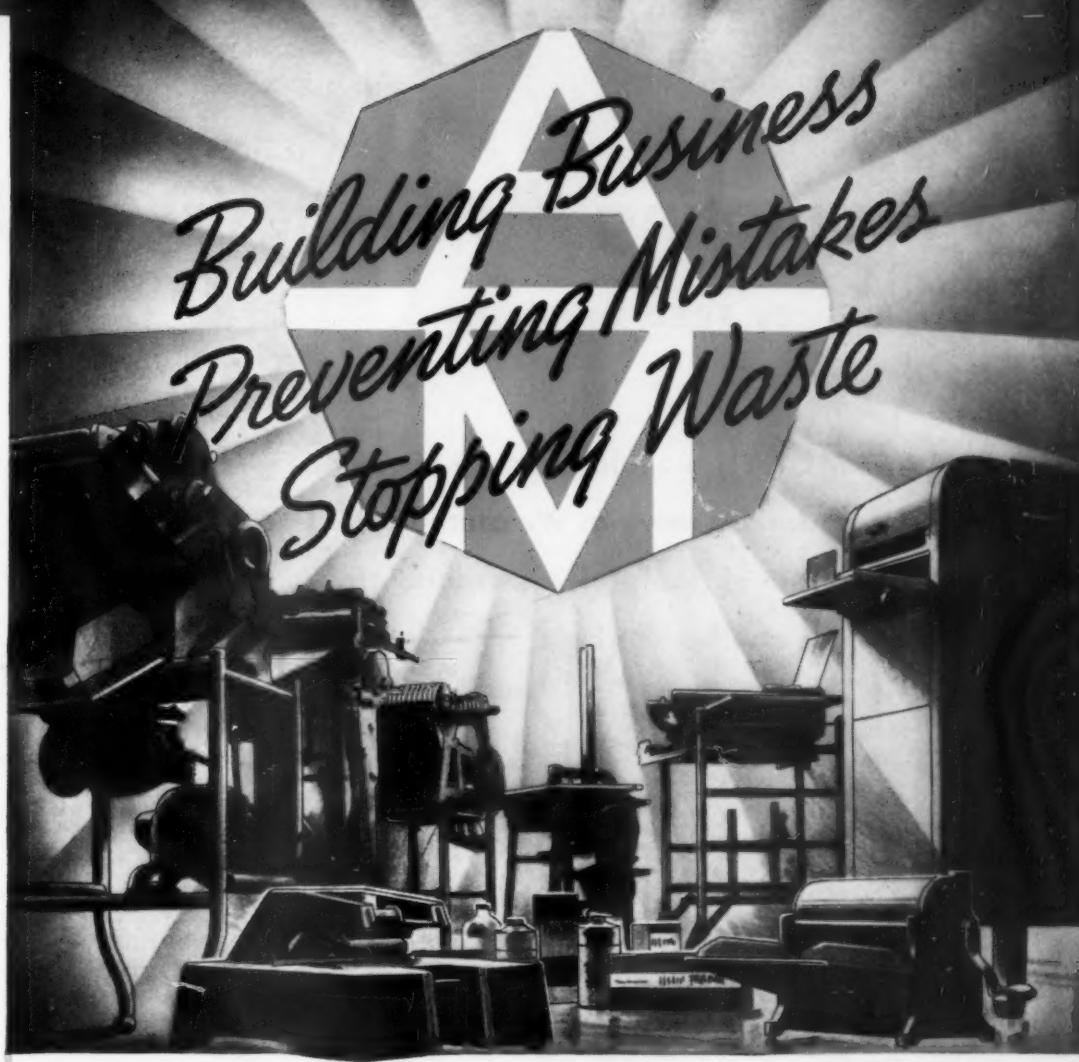
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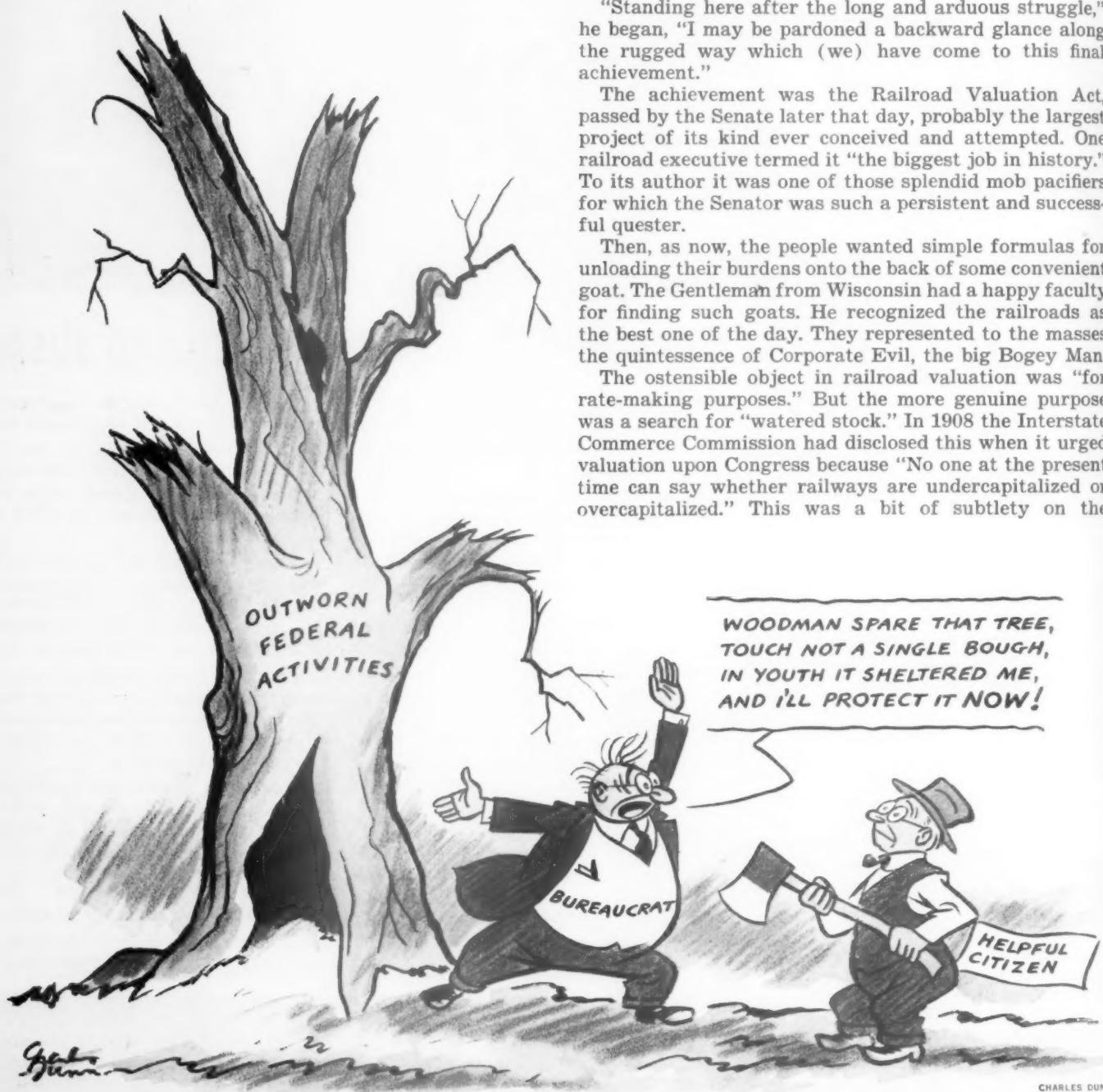
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Promoting the General Welfare, No. 2

By FRED DEARMOND

LAST MONTH we told the story of government turkey carving. We continue, in the interest of "helpful citizenship," to point out another rat hole



IT WAS a blustery day in late February, 1913. The morning newspapers had proclaimed the execution of President Madero of Mexico, and Washington was preparing to welcome a new President in the scholarly person of Woodrow Wilson. In the Senate of the United States the Hon. Robert M. LaFollette, the Elder, arose and addressed the chair with a note of triumph in his voice. It was a great day for the Friend of the People, the culmination of ten long years of agitation.

"Standing here after the long and arduous struggle," he began, "I may be pardoned a backward glance along the rugged way which (we) have come to this final achievement."

The achievement was the Railroad Valuation Act, passed by the Senate later that day, probably the largest project of its kind ever conceived and attempted. One railroad executive termed it "the biggest job in history." To its author it was one of those splendid mob pacifiers for which the Senator was such a persistent and successful quester.

Then, as now, the people wanted simple formulas for unloading their burdens onto the back of some convenient goat. The Gentleman from Wisconsin had a happy faculty for finding such goats. He recognized the railroads as the best one of the day. They represented to the masses the quintessence of Corporate Evil, the big Bogey Man.

The ostensible object in railroad valuation was "for rate-making purposes." But the more genuine purpose was a search for "watered stock." In 1908 the Interstate Commerce Commission had disclosed this when it urged valuation upon Congress because "No one at the present time can say whether railways are undercapitalized or overcapitalized." This was a bit of subtlety on the



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assets total more than two hundred million dollars. And in addition to giving policyholders sound protection, intelligent service and the prompt payment of losses . . . these Mutual fire and casualty companies, during the past ten years, have returned more than two hundred and eighty-two million dollars as savings to their policyholders.

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Commission's part as it had no concern about undercapitalization. But if it could be shown that the carriers were overcapitalized, a double purpose would be served. The machinations of the devil would be exposed and rates based on a fair earning for invested capital could be lowered.

Two years later the Congress had appointed a Railroad Securities Commission "to investigate questions pertaining to the issuance of stocks and bonds by railroad corporations subject to the provisions of the Act to Regulate Commerce." But the Commission had perversely counselled against a readjustment of securities on the basis of the physical value of the properties as opposed to "public expedience" and as "archaic" in that "values of today might be totally erroneous tomorrow." Later the wisdom of this recommendation was to be seen in the difficulties met by the Bureau of Valuation.

Tried seven times

THE Railroad Securities Commission did recommend, however, that the I.C.C. be given authority and funds to make property valuations "whenever the question of the present value of these roads is, in the judgment of that Commission, of sufficient importance (in rate regulation)." But permissive valuation did not suit LaFollette, the Elder. Under the guise of a rate-making facility he continued to nurture his scheme in and out of Congress. He introduced the bill at seven successive sessions of Congress and brought to the committee hearings in Washington a corps of professors such as was not seen again until the Brain Trust invaded the capital.

Railroad executives knew the real intent of the agitation and were agreeable to seeing the "watered stock" war cry settled once and for all. But they did warn the bill's proponents that not even the I.C.C. realized the vastness of the project. They, too, urged that valuation be made permissive instead of mandatory to avoid the task of plowing back through the musty records of 70 years.

On the little matter of cost LaFollette, the Elder, had given this assurance:

I can say that, at an expense not exceeding \$10 per mile, or \$2,500,000 for the

entire mileage of the United States, we can learn the value of the physical properties of the railroad companies of the country engaged in interstate commerce. I undertake to say further that, if we will expend that amount of money, enabling us to bring railroad rates to the proper basis as fixed by the Supreme Court and as applied in the state of Wisconsin we will be saved in railroad transportation charges in 12 months more than 150 times the cost of making the valuation. . .

If the Senator could read that statement today, in the light of subsequent events, it would startle him as the No. 1 ghost of his troubled public career.

One week after the bill's passage in the Senate it was being signed by President Taft, just three days before he took his successor for a ride

ants at work and provided representatives to accompany every government inventory party in the field.

"It was necessary," recorded the Bureau of Valuation, "that every yard of excavation, grading, ballast, concrete or stone work, every tie, building, unit of rolling stock and acre of land be inventoried, its condition and use recorded, and priced."

This was the field work only. Later the multitude of reports had to be assembled and collated.

Within a year, as the vast scope of the project became apparent, Director Prouty of the Bureau confessed that the \$2,500,000 which Senator LaFollette had assured his colleagues would complete the job was only a nibble. It would cost not less than \$12,000,000, he said. Besides, "We have been told it would be desirable to value the telegraph lines, also, as soon as possible." He needed at least \$500,000 for that.

And so it has continued year after year. Always those in charge excused the slow progress made, advanced the date when it would be completed and asked for more money. As early as 1915, Representative Gillett of Massachusetts tried to have the appropriation scaled down, warned that "We are entering a great field of expense that we cannot estimate."

"Do they propose to keep on valuing the railroads for the next 20 years?" asked another Congressman. Yes, just that, and then some, might have been the answer.

By 1917, Judge Prouty, the director, had raised his estimate of the total bill to \$20,000,000 as an outside figure, although he admitted that "it ought not to exceed \$50 a mile, or approximately \$12,000,000 for the entire country. If the expense exceeds that it will be because the Government cannot do the work as economically as a private individual."

Defenders are active

WAR times brought the project under fire as a non-essential activity. A member moved to strike the appropriation out of the House bill in 1918. In the upper house Senator King of Utah demanded that "this useless body be abolished."

"No! no!" its defenders earnestly shouted. "Touch not our fair child in her budding youth. The survey has proceeded for only five years. It will

"The People" Pay

TRUE NARRATIVE of a federal activity sired by an eminent "Friend of the People" who agitated against the railroads and, to prove his case, sponsored a government agency on the promise that it would cost little and bring large returns. After 35 years, the work goes merrily on, seeking new bus and truck fields to conquer, although officially declared useless. And the cost to "the people" has been 100 times that set forth in the prospectus

down Pennsylvania Avenue. At almost the very moment that it became a law, Senator LaFollette was offering an amendment to the deficiency appropriation bill obtaining another \$500,000 in addition to the \$2,500,000 which he had asserted would be sufficient for the job. It was prophetic of what was to follow.

For 25 years the project has gone on. The total cost to the nation now stands at approximately \$50,000,000 for the Government and \$150,000,000 for the railroads—a total of \$800 a mile instead of \$10 as predicted by the author of the Act. With what results we will examine a little farther on.

As soon as possible after the job had been authorized, a regiment of engineers, land appraisers and accountants was deployed over the land to count fence posts, measure rail joints and look under cross ties. The country was divided into five great divisions, each with approximately 50,000 miles of road. The railroads for their part put staffs of account-

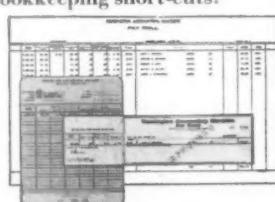
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stub; (4) Payroll journal. Gross earnings, Social Security, health insurance and other deductions are automatically accumulated and verified by this machine.

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choose it for payrolls, accounts payable, accounts receivable, order writing, inventory, or sales expense distribution. Smaller concerns switch it from one application to another, so as to have completely machine-posted records without investing in more than one unit of equipment.

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be finished in two or three more. Thus far we have gone; look not back in the furrow till it is done."

The argument succeeded as usual.

Still the controllers of the national purse strings exhibited increasing impatience to see some tangible results from the millions they had been pouring out. The time consumed by the valuation raised the question as to whether or not it would be worth anything when finished. Physical properties depreciate in five years. Price levels had changed. It was not unlike a census enumeration stretched over a period of years. How to discover the value at a given time?

Opinions differed as to the method of valuation. The decision had been to base it on the four factors prescribed by LaFollette, the Elder, and his professorial advisers. They were:

1. Original cost to date.
2. Cost of reproduction new.
3. Cost of reproduction less depreciation.
4. Intangible values and elements of value.

After spending \$1,000 a mile on the Texas Midland Railroad, the Bureau was forced to admit that railroad men had been right; it was not practically possible to obtain original cost to date. That had to be abandoned except as to estimates. All these issues made for so many uncertainties that many of the carriers contested the valuations placed on their properties. A rich field of litigation was created for lawyers fighting on both sides in these disputed cases. To set up some standard that would take care of the time factor it was decided to adjust all prices to the 1914 level.

The multipliers explained

JUST HOW involved these calculations became was illustrated by E. I. Lewis, the present chief of the Bureau, in an exhibit in *Ex Parte 123* wherein he elucidated the higher mathematics of it. This is how the adjustment "multipliers" were explained:

These multipliers are an expression of the price relationship between normal prices as of 1914 at which all inventoried quantities have been priced and the 1936 period price level to which they are adjusted. . . . These period prices have been divided by the prices in each of the respective engineering reports to determine the period multiplier. . . . The account multipliers are then weighted in accordance with the percentage relationships which the money in each account bears to the total of the accounts, to determine the composite multipliers for application to the base totals, separate composite multipliers being developed for the roadway and equipment accounts.

In 1921 the field work was completed although it was many years before some of the larger carriers received even their preliminary valua-

tion reports. That year, as a part of a post-war economy wave, further efforts were made to whittle down the Bureau's pocket money. The annual appropriation was reduced somewhat but the main structure was saved by the "Recapture" clause which had been included in the Transportation Act of 1920. This required railroads to place in a reserve fund one-half of any earnings in excess of six per cent on their value, and to pay over to the I.C.C. the other half. Recapture thus was used to justify maintenance of the Bureau practically at its full strength.

\$13,000,000 recaptured

IN THE succeeding 12 years some \$13,000,000 of revenue was recaptured, at a cost to the Government probably greatly exceeding that amount. Then in 1933 recapture was repealed and all the money so recovered had to be returned to the railroads.

The next serious attempt to liquidate this dead horse was by the Senate Appropriations Committee of 1932, headed by Senator Smoot of Utah. Since the task at last was nearing completion and the country was in the grip of the Great Depression, the Committee proposed to reduce the Bureau's allowance for the year from \$2,750,000 to \$750,000. Director Prouty had told the House Appropriations subcommittee back in 1918 that, when valuation was completed, some \$350,000 to \$400,000 a year would be enough to keep the statistics up to date. Four years later a Mr. Artaud in testifying for the Bureau before the same body thought \$150,000 to \$250,000 would be enough.

Again the friends of bureaucracy rallied to its defense. The voice of LaFollette, the Elder, was heard no more, but in his place in the chamber sat his son, youthful leader of the forces opposing reaction. In this crisis for his father's \$50,000,000 baby of 19 years before LaFollette, the Younger, came gallantly to the rescue. The adoption of the amendment, he declared, would wreck the beloved project. . . . "My illustrious father" would not have had it so. . . . "There was never a time when it was more necessary for the protection of the Government and the public interest that the valuation work should be carried on." . . . "Vitally important . . . vitally essential. . . ."

Besides, its services were needed by the R.F.C. in passing on government loans to the railroads. Thus the recapture excuse had scarcely been decently buried when R.F.C. loans were embraced in its stead.

And who else in that staid body came to the rescue on that day? One

guess is enough—Norris of Nebraska, Johnson of California and Couzens of Michigan. Diffidently and without comment, Senator Tydings of Maryland proffered a petition from a number of "voters in Maryland" who might lose their jobs in the Bureau if its sustenance were reduced. Of course there was no doubt about the outcome. The appropriation stood without amendment. Idealism again had triumphed over money-grubbing economy.

Then came a new administration pledged to economy to the extent of a 25 per cent decrease in the current expenses of the federal Government. A new Transportation Act was passed in 1933 which renounced values as the basis of rate-making and substituted "the effect of rates on the movement of traffic, the need of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service, etc." That at once made the 20-year valuation project love's labor lost, as far as rate-making was concerned.

Still the Bureau stood without serious curtailment, because members of Congress could not bear to throw into the army of the unemployed several hundred employees who, in the course of years, had become professional railroad evaluators.

The job is done

BY 1934 the final valuation on the last road had been reported. After 21 years, the labors of Hercules were completed at last. But the I.C.C. asked for its million for the Bureau of Valuation, as usual. It was granted by the House, but Senator McCarran, mindful of the 25 per cent pledge, proposed that the million be cut to half a million, because "it is unnecessary to continue that Bureau any further except to take care of, preserve and disclose when necessary this information collected . . . at the cost of an enormous sum of money."

Once more LaFollette, the Younger, flashed the shining sword of his oratory.

The basic valuations have been completed but they are practically worthless unless they are kept up to date. . . . Activities of one kind and another now being carried on by the federal Government make this line of information particularly important. . . . It has been reduced from some 900 odd employees to about 300. This number is absolutely necessary if the vast accumulation of information, data and statistics obtained after the expenditure of large sums of money is not to become obsolete and the investment thereby made utterly worthless.

Need the old story be repeated? The House appropriation stood. The Bureau still exists today.

Congress continues to throw good money after bad. The lowest annual



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outlay in any year to date has been \$800,000.

In the light of the record alone the Bureau's future would seem to be secure. But it has still other strings to its bow. The officials hope some day to get a fat appropriation with which to value motor transportation and air lines, as they already are valuing the pipe lines. They think that would be easier than the railroad job and that it probably could be done for considerably less money. To be sure they would have to make an inventory and appraisal of properties, but it probably would not be necessary to count each piston, spark plug and aileron as they did each fence post, rail and nut on the railroads.

Not because motor and air line people are considered more honest than railroad executives, but because the appraisers have been learning by experience—at the expense of the taxpayers and the railroads for their schooling.

And what has been accomplished by this outlay of \$200,000,000? As to the quest for watered stock, the real object which LaFollette, the Elder,

and his associates had in mind, that is best answered by a section in the report to the Seventy-third Congress by Joseph B. Eastman, Federal Coordinator of Transportation, in which he said:

Contrary to much popular impression, the railroads are not in the aggregate overcapitalized, in the sense that the par value of outstanding securities exceeds the money invested in the properties.

The Bureau of Valuation of the Interstate Commerce Commission has estimated that the original cost of railroad carrier property other than land, as it existed on December 31, 1932, plus land value as of June 1, 1933, and plus allowances for working capital, was in the neighborhood of \$26,232,000,000. Original cost of lands is not known but it was probably materially less than the valuation as of June 1, 1933.

Making all due allowances for this fact, however, the original cost of railroad carrier property would not fall below \$24,000,000,000. On December 31, 1932, the total railroad capital actually outstanding was \$23,573,556,588, made up of \$10,226,070,233 in stock and \$13,347,486,355 in funded debt. Allowing for intercorporate holdings, the net capitalization outstanding in the hands of the public was \$19,489,062,256, made up of \$7,150,374,952 in stock and \$12,338,687,304 in bonds. . . .

It will be seen that Coordinator Eastman placed the original cost of the carrier property alone, as of December 31, 1932, at \$4,500,000,000 more than the par value of outstanding stocks and bonds in the hands of the public. The situation has changed little in this respect since that date. As of January 1, 1937, the I.C.C. has estimated the original cost as \$25,926,000,000 and the total par value of outstanding securities at \$18,973,000,000.

The results

HERE, then, is the count for valuation:

First, it did not disclose the watered stock, as expected.

Second, instead of saving the public 150 times its cost in lower rates, as promised by LaFollette, the Elder, it was not the means of reducing rates at all; on the contrary, its findings would more nearly have justified the raising of rates. Now that values no longer are recognized by the Government as the proper basis for rate-making, valuation registers zero on that score.

Third, it earned nothing for anybody on the recapture fiasco.

Fourth, on the word of Senator McCarran, it served no necessary function not rendered by the Finance Department of the I.C.C. in the consideration of R.F.C. loans.

So far, that's a goose egg. Then what, if anything, do we have left to show for that enormous cost? A mountain of statistics that evokes the envy of the Census Bureau. Figures on which the Government can base reimbursement to the railroads in case we are to have Government ownership. But that intention is denied by responsible officials. Finally, jobs for several hundred persons.

This activity is not chosen as a horrible example of misdirected effort incurring waste of the savings of people which might have gone into wealth producing channels. It is recounted here only as typical of hundreds of similar useless operations which have boosted the federal expenses to the breaking point and as a contribution to "helpful citizenship." Because, it will be recalled that the President, in his address to Congress on January 3, declared:

To many who have pleaded with me for an immediate balancing of the budget, by a sharp curtailment or even elimination of government functions, I have asked the question—"What present expenditures would you reduce or eliminate?"

And the invariable answer has been "that is not my business—I know nothing of the details, but I am sure that it could be done."

That is not what you or I would call helpful citizenship.

BELLRINGERS



WESTERN ELECTRIC PHOTO

Industry Put a Phone in Pilot's Bunk

THE duties of the pilot steamers "Sandy Hook" and "New York" keep them outside the lightships in the Atlantic for as long as ten days at a stretch. In all kinds of weather they are there to put pilots on inbound ships and to take pilots off the outbound vessels.

But inside the wheelhouse of these tiny pilot boats there is no lack of communication with the outside world. A marine radio telephone with handset that looks and acts like any other telephone is part

of the standard equipment. The pilots and personnel of these steamers can always reach office or home ashore via the new telephone equipment, and the two pilot boats maintain communication with each other by the radio-phone. And it is just as easy for them to call a number in San Francisco as to call their own office, for the marine radio telephone station operated by the New York Telephone Company serves as a constantly available link with the entire Bell System.



THE V-8 ENGINE PUTS THE FORD TRUCK IN A CLASS BY ITSELF

FAR-SEEING OWNERS who dig deep into cost records have found that truck economy is more than "How many miles to the gallon?" The big thing today is work done. You want the truck that delivers the most goods, or material, in the least time, at the lowest cost.

According to owners' records that's what the Ford Truck does.

This means that the Ford Truck goes more miles a day . . . delivers more jobs . . . gives you dollar-saving V-8 speed and power along with Ford economy.

Owners all over the country have proved this. It is the reason there were more Ford Trucks sold in 1937 than any other 1937 make.

The Ford V-8 Trucks for 1938 give you still greater value and many new features. Prove what they can do for your business by making an "on-the-job" test with your own loads and your own driver. The nearest Ford dealer will be glad to let you have a truck for a trial.

FEATURES OF THE 1938 FORD V-8 TRUCKS

New appearance for all units. More comfort, more head room, softer seat cushions. For 134-inch and 157-inch trucks—new, larger, quicker stopping brakes with the safety of steel from pedal to wheel—easier steering, new worm and roller type, with 18-inch

wheel. New 134-inch wheelbase, giving 60-inch cab-to-axle measurement and improved load distribution. Entirely new one-ton truck line with full torque-tube radius-rod drive, full-floating rear axle and other time-proved Ford Truck features.

NEW 1938

FORD V-8 TRUCKS

INCLUDING A NEW *One-Tonner*

Homes for Yachts Help Boat Builders

Lower scene at Belmont Harbor, Chicago, where five basins shelter and service some 600 small pleasure craft



The Miami municipal marina above returns to the city between 10 and 15 per cent net profit on the investment made for public convenience



COURTESY AMERICAN CAR AND FOUNDRY CO.

More than 1,500,000 small craft are devoted to recreational use. Many are on waters far inland

COURTESY CHRIS-CRAFT



RECREATIONAL boating has rapidly increased its popularity during the past 15 years. Even far inland, pleasure boating is now enjoyed on a large scale. Examples are the Lake of the Ozark Mountains in Missouri and Lake Murray in South Carolina. The former boasts 1,000 small boats; the latter is providing facilities to 2,000 boat owners.

The spread of popular interest in boating has caused more than 150 American communities to become small-boat conscious and build publicly-operated boat harbors, or marinas. Miami and San Francisco constructed the first ones 13 years ago. Sheltered from rough waters and prevailing winds, they are further protected by breakwaters or bulkheading to keep out the wash of passing traffic. Usually they have a series of floats or piers and catwalks that form individual boat slips and permit a maximum capacity within the limited space. Fresh water, fuel, food, telephone and mail service, and locker facilities are available and the owners patronizing them pay a sliding scale of fees. At many, parking space for automobiles and even garage service are part of the system, as well as shower baths, lounges, rest rooms and refreshment stands.

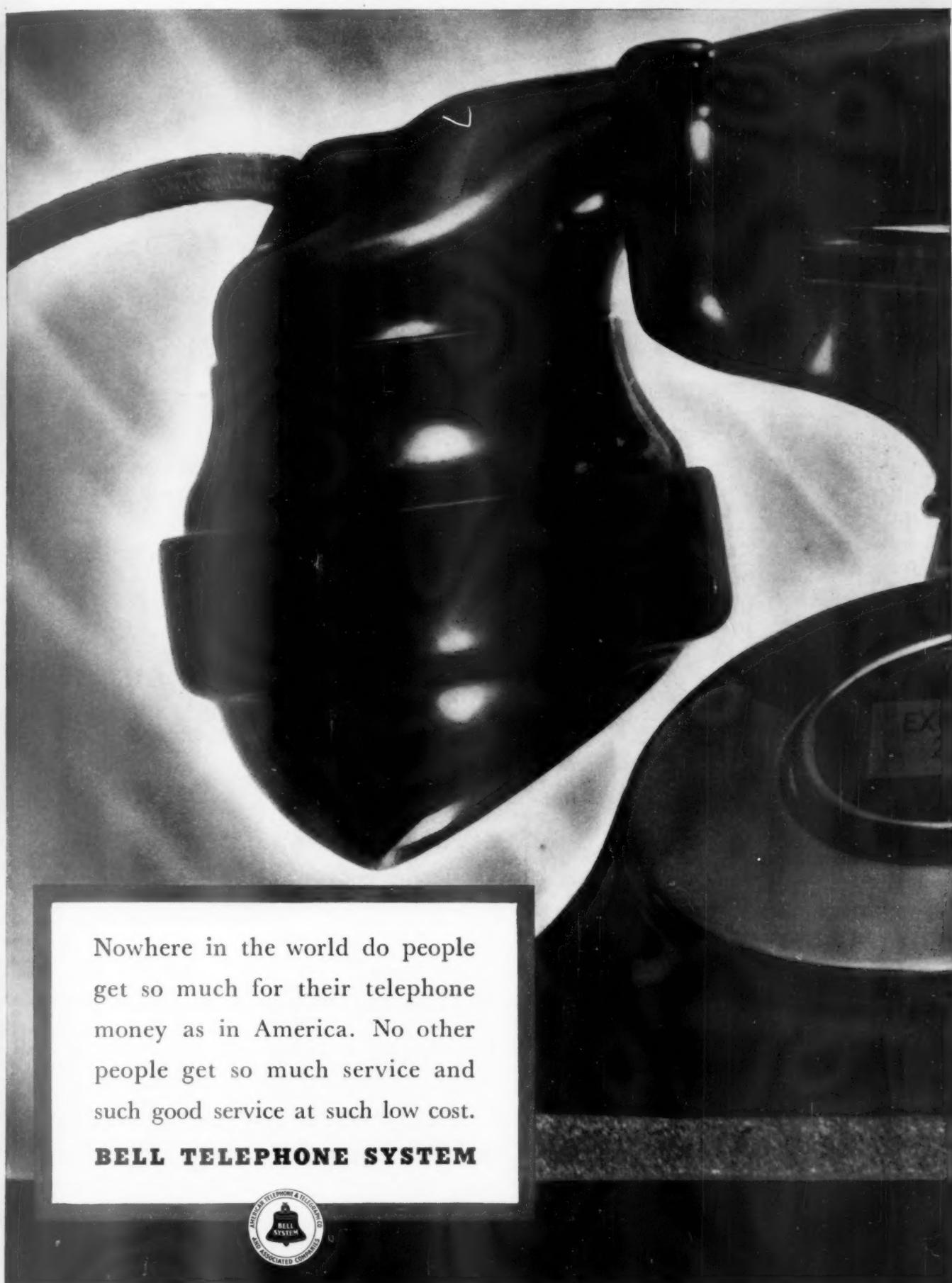
The various marinas have been built at varying costs. One of the most expensive is the \$1,500,000 aquatic park and yacht harbor at Berkeley, Cal. The Bert Jones municipal yacht basin at Gulfport required \$350,000. One of the least expensive was constructed at New Baltimore. It cost only \$3,000, yet it provides adequate protection for the small boats owned in the community.

Financing has been carried out by different methods. P. W. A. funds have been used in several communities. On the Pacific Coast and a few other sections bond issues have been voted for the construction work. Some cities, like Chicago, have included municipal boat basins in their park developments.

Most of the municipal marinas are managed by the park department, the harbormaster, or some other city agency. But here and there the public-built facilities have been leased out to private operators, although retaining their municipal designation. Outstanding examples of revenue-producing marinas are those at Miami, where a net operating profit of 10 to 15 per cent annually has been achieved since construction, and at San Francisco, where the basin has recently turned in a net annual revenue exceeding \$11,000. In northern states, a mooring charge for the season seldom exceeds \$40. In the South, the year-around charge for an average-sized boat is about \$50.

—C. F. MCKIVERGAN.

THE BIGGEST TELEPHONE VALUE FOR YOUR MONEY



Nowhere in the world do people get so much for their telephone money as in America. No other people get so much service and such good service at such low cost.

BELL TELEPHONE SYSTEM



Business Men Say . . .



B. C. Heacock (right)

ACME



Francis E. Frothingham (left)



William H. Neal

CUMMINS



David C. Everest

B. C. HEACOCK, President Caterpillar Tractor Company

"Business men are 'elected' to leadership by their customers' patronage, a far more democratic method of electing than the political type which puts into public office those 'who can grin the widest and lie the loudest.' The American system is characterized by allowing the individual to extend himself to the limit of his own capacity in the interest of others, and by the liberty it gives the individual to patronize any organization or service he wishes in free and unregulated markets. . . . Under this system, the American workman can earn a dozen eggs in 18 minutes, while for an English workman it would take 30 minutes, and for a German workman, two hours."

FRANCIS E. FROTHINGHAM, Coffin & Burr Inc., Boston President, Investment Bankers Association of America

"This dominant investor problem of how to win his confidence so that he will make his savings available for enterprise is clearly beyond the direct control of the regulatory agencies of government. When industry slackens and the investor keeps what he has because of concern about the future, there is need for turning the pages for forgotten formulae. One of these is that for every invested dollar there must be productive activity that will bring earnings sufficient to pay labor, other operating costs and a balance to justify risks involved as well as a dependable return to the investor who gave the dollar."

WILLIAM H. NEAL, President Financial Advertisers Association and Vice President, Wachovia Bank and Trust Company, Winston-Salem, N. C.

"A sane and constructive public attitude toward business and finance can be created. But not so long as business men, bankers, and trust executives remain inarticulate; not so long as we take the accusations lying down. We have in corporate fiduciary service a thing of broad social and economic usefulness, we have a creditable record of performance; and I am convinced that we have a public that is willing to listen to our story."

DAVID C. EVEREST, General Manager, Marathon Paper Mills President, American Paper and Pulp Association

"There is no danger of monopoly in this country. A monopoly is a racket and any racket which is productive of profit cannot long exist without competition and when there is competition there is no monopoly. With the technical and managerial brains and money available today, there is no danger of monopoly. Some smart person will duplicate any profitable effort."



What do you mean— "Put 'em through the wringer"?

YOU'VE heard it often enough, this modern version of the old-time fallacy—maybe you've even said it yourself—that railroad troubles are caused by "watered stock," too much debt, excessive fixed charges.

Let's see how this checks with facts:

First—according to every valuation ever made, the railroads are worth *billions more* than the total amount for which they are capitalized.

Second—railroad debt, in proportion to total investment, is *lower* today than it was years ago when railroads were prosperous.

Third—the Interstate Commerce Commission, in its latest rate decision, said "This evidence tends strongly to show that the major cause of unsatisfactory financial condition of the applicants [the railroads] as a whole is *not to be found in excessive fixed charges.*"

But all this covers only the arithmetic of the story.

When folks talk about putting "the railroads" through the wringer, what do these words really mean?

Do they mean locomotives, tracks, box

cars? Do they mean "Wall Street"?

Not on your life.

They mean people—millions of them—people who live in every state in the Union—people who put their savings in railroad stocks and bonds—people who have life insurance policies and money in savings banks.

In the absence of "water" to squeeze out of our railroad system—this "wringer" business will squeeze out all hope that these people will ever get back what they have invested.

Isn't it better to have confidence in America—confidence in the fact that this country of ours has a greater future ahead of it than anything in its brilliant past?

Isn't it better to keep the American railroads going ahead, as the finest, most economical transportation system in the world, built to serve the most favored nation in the world?

SAFETY FIRST—
friendliness too!

ASSOCIATION OF
AMERICAN RAILROADS
WASHINGTON, D. C.



Two features of the Cabell's depression born business are the dairy farm and one of the Dallas stores. Five years ago they had neither



They Knew There Was a Depression

By EVELYN MILLER CROWELL

BUT the Cabell brothers of Dallas, Texas, merely regarded it as an opportunity to start in business

IT WAS in March, 1932, that the Cabell brothers opened their first plant. It wasn't that they hadn't heard of the depression; both had been made acutely aware of it. But they had been planning for a long time—or what seemed a long time to young men of 32 and 25, respectively—to go into business for themselves and they concluded that the time was as good as any to launch their carefully thought out enterprise.

As a matter of fact, they believed then, and now offer abundant proof to back up their belief, that a depression is an excellent time to start a business for those with sound ideas and small capital.

The Cabell brothers' capital consisted of: \$1,150 in cash, an old car which

could be, and was, converted into a truck, and \$1,000 worth of equipment, taken in lieu of back pay. The equipment, all of the technical training, most of the experience and the original idea were contributed by Ben, the eldest brother, who became president and general manager. The old car, \$150 in cash, and several years of experience were contributed by Earle, the youngest brother, who was put in charge of production and later merchandising.

One thousand dollars in cash was contributed by Pearre, the middle brother and silent partner in the firm, who had, amazingly enough, saved that amount from the pay of a second lieutenant in the regular Army.

Older and more cautious men might have questioned the soundness of the idea if the boys had taken the time or trouble to ask them. With bread lines lengthening in every American city, and their home town of Dallas, Texas, being no exception, they set out to manufacture and market such a non-essential as ice cream. Furthermore, it was quality ice cream, made with

only the purest cream, the best cane sugar, fresh, infertile eggs, and fresh fruit in season. It had to be manufactured and sold on a quantity basis to keep the price down to the level which they had set—five cents for a cone and ten cents for a dish. This was only the first step, but it had to succeed if the remainder of the program was to be carried through.

Experience in dairy products

BEN was sure it could be done. He had been thinking about it and working out the details for 15 years. Two of those years he had served in the United States Army in the World War, having enlisted when he was 17. As a reward he was sent as a government student to the Texas Agricultural and Mechanical College where he specialized in animal husbandry and dairying. Upon graduation he got a job with a creamery machinery concern.

He had worked up a \$10,000 a year business when a large dairy products company, for whom he had installed

various plants, decided that they needed him on a full-time basis. At the end of four years he was in charge of 45 of their southwestern plants. It was excellent experience, but the dairy products company was a part of the multitudinous Insull interests and, when the news of the Insull debacle reached Texas, young Ben Cabell felt that it took no seer to interpret the handwriting on the wall.

Without waiting for the final crash and ultimate reorganization, he resigned, asked for, and received, his pay in equipment. With such a qualified judge and a 1932 appraisal, it is easy to believe that he received full value.

The machinery was set up in a small, centrally located plant and here the ice cream was manufactured from formulas which Earle Cabell had worked out, chiefly home-tested recipes. The first selling outlet, opened simultaneously, was a small, shingled structure, painted white, with a green roof, placed in the center of a large lot in a residential section of Dallas. The house, or "stand," was Colonial in design and the sign on it announced that it was the home of "Cabell's Colonial Ice Cream."

March is not the peak of the ice cream season, even in prosperous times in Texas—and remember that this was March, 1932—but by June the lot which surrounded the Cabell's Colonial Ice Cream Shop was crowded with cars and children were weaving their perilous way in and out to buy ice cream cones.

During this period the Cabell boys did a large part of the work themselves; manufacturing, delivering in the one truck, supervising the selling, and waiting on customers if necessary. Every cent of profit was put back into the business, and this was true for a long time thereafter. But by 1933, which was not exactly a boom year, they were able to move on to the next step in their program. Up to this point they had had to buy their milk and cream. They wanted a dairy of their own, stocked with fine cattle which would produce the best milk and cream obtainable.

After careful investigation they

bought a 200 acre farm, 16 miles from town. The land around it is now being developed for suburban estates and selling for \$1,000 an acre. They paid \$45 an acre for 100 acres, and \$55 an acre for the rest. After even more careful investigation they decided that a Guernsey herd was the most desirable for their purposes, chiefly because Guernsey milk is 25 per cent higher in mineral and vitamin content than the milk of other fine cattle.

An expensive dairy herd

THEY made this decision in spite of the fact that Guernsey cattle cost from 25 per cent to 50 per cent more than Jerseys or Holsteins. Their Guernsey herd is now valued at \$15,000 and is the only pure Guernsey herd in their section.

With the acquisition of the farm and the Guernsey herd, the Cabells added some new items for sale at their Colonial Shops, which now became "Colonial Dairy Products Shops." They sold "Golden Guernsey" milk, cream and butter. They were able to use the "Golden Guernsey" seal of the American Guernsey Association, a privilege accorded only to those who have a 100 per cent registered Guernsey herd; one cow on the farm of an alien breed, no matter how distinguished, would disqualify them. In rapid succession they added bread (made with Guernsey milk), cakes (made with real milk, butter and eggs)—no desiccated mate-

rial—in layman's language, powdered), and cookies.

They opened two new manufacturing plants and five more shops in residential sections of Dallas each with complete fountain service. They installed a catering department to take care of party orders for ice cream in fancy molds, cakes and sandwiches. Then came three down-town "grillettes," where real meals were served, with special emphasis on Cabell products.

By December, 1936, they felt that they were ready to expand their merchandising operations beyond the Dallas city limits. But to do this they needed more capital. All this time they had been feeding the profits back into the business, with no outside help; operating on the proverbial shoestring. Now they decided that the time had come for recapitalization on a modest scale. The last thing they wanted was capital at the expense of control of the business they had built up and which they felt was just started.

They recapitalized for \$175,000, the three original partners retaining \$100,000 of the stock. In spite of the fact that they were warned that December was the worst month to float a stock issue, they offered the remaining \$75,000 for sale just before Christmas. It was oversubscribed by the first of the year, entirely by Dallas business men. Thus fortified, the Cabells moved into the surrounding territory, starting again with ice cream, which they placed

(Continued on page 106)



The down-town "grillettes" are well patronized. A large percentage of Dallas residents visit the residential shops in hot weather



WHITE ENGRAVING CO.

The products are all made from home-tested recipes

THE POST "WORKS"



"AS A COLLEGE MAN," says John S. Porter, undergraduate chairman of Pennsylvania's famed *Mask and Wig Club*, "I find the Post indispensable in keeping abreast of topics in which young America is interested. It gives an adequate picture of the American scene for both college and business men."



ELIZABETH DONAVAN, brilliant editor of the *Minnesota Gopher*, and Phi Beta Kappa member of the *Mortar Board*, says, "We have taken the Post at home for years. I enjoyed thoroughly the recent articles by Dr. Hutchins on 'Why Go To College?'"

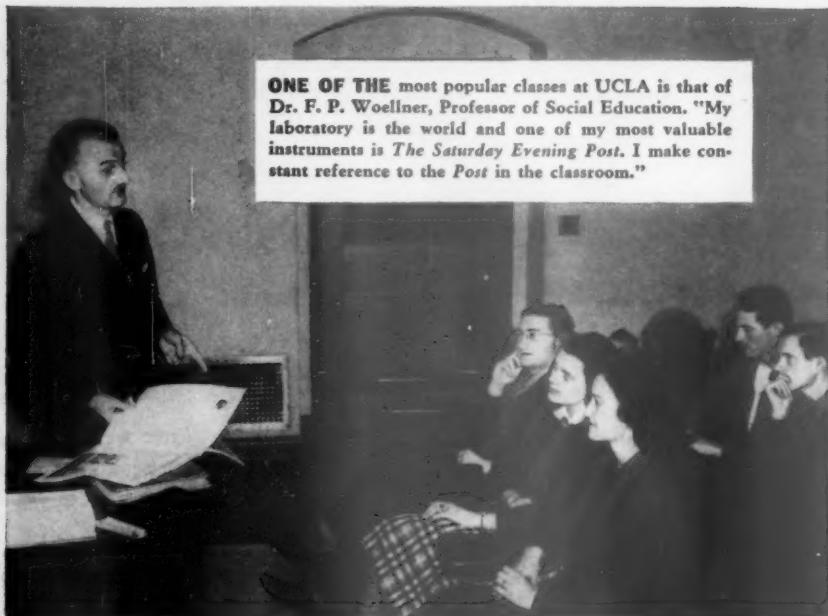


DR. ROBERT M. HUTCHINS, President, University of Chicago, whose recent articles in the Post were read with intense interest by students and faculty members alike.

THE MARGULIES BROTHERS, Harold and Newton (left), crack debaters at the University of Minnesota, recently traveled through Europe, debated against students in Sweden, Denmark, Belgium, France and England. "The Post was indispensable," say the Margulies brothers. "We paid 36 cents for an issue in Copenhagen."



"I SELDOM MISS an issue of the Post. It's packed with just the kind of stories and articles I need to keep me on my editorial toes. I especially commend the editors of the Post for their consistent choice of timely feature articles," says Marion Louise Conn, Women's Editor, *Pitt News*.



ONE OF THE most popular classes at UCLA is that of Dr. F. P. Woellner, Professor of Social Education. "My laboratory is the world and one of my most valuable instruments is *The Saturday Evening Post*. I make constant reference to the Post in the classroom."



"I BUY A POST every week for Advertising Class," says Harry B. Ziff, Business Manager of Carnegie Tech's *Tartan*. "After we have gone over all the ads, that same Post makes the rounds in the House — usually circulates a couple of months until it finally falls apart from hard use."

ITS WAY" THROUGH COLLEGE



"I FIND the Post valuable for its many enlightening articles on current affairs," says Kenneth E. Olsen, Dean of the Medill School of Journalism at Northwestern University.



"THIS STORY in the Post would make a grand one-act play!" says Kirk Windsor (real name Stanley Brown), dramatic star, to Barbara Brauer, director and playwright, backstage at University of California at Los Angeles.



"POST STORIES ARE EXCEPTIONAL!" says Virginia Hoagland, Chairman of the Junior Prom at Radcliffe. "There's such a variety week after week. I make time to read them!"

ALL OVER America, in colleges large and small, the Post is not only the most widely read magazine for entertainment, but it is also the most helpful to students and faculty in the classroom.

The Post earns recognition among college people. It "works its way" in varying capacities among many of the activities and interests around the campus. For example:

In the editorial rooms of the college newspaper. At the debating society as a source of live argument. In the classroom in discussions about current economic, industrial and political questions. As a reference in such courses as English, Journalism, Advertising. And so forth.

The young men and women now in college are among the future leaders of America. They are one of the most valuable single groups of prospects any business can cultivate. And here is another plus value to advertisers.

In college and out, people are spending more time with the Post—reading it with their minds, acting with confidence on the information it provides.

* * *

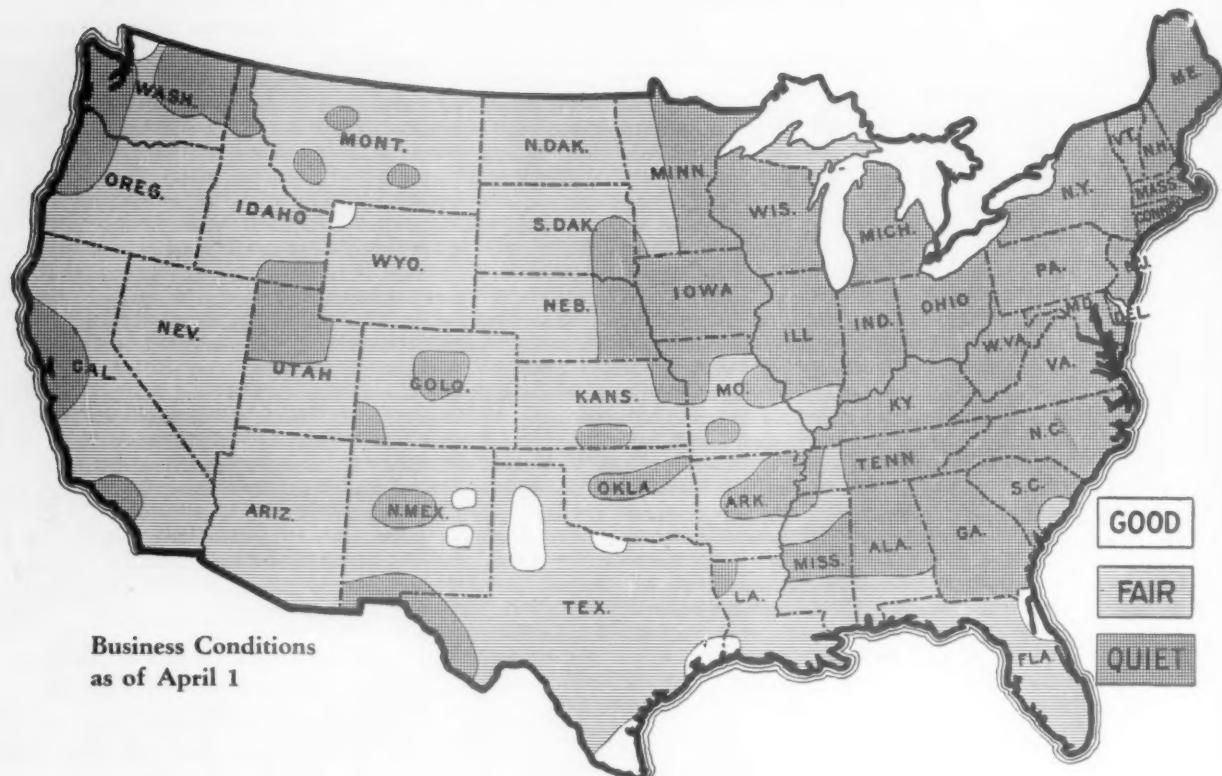
"EVEN THOUGH I've been a member of a Post-reading family for several years, the enthusiasm for the magazine shown by professors and students alike while I was taking these pictures surprised me," says Photographer John Palmer of Northwestern University.



THE SATURDAY EVENING POST

The Map of the Nation's Business

By FRANK GREENE

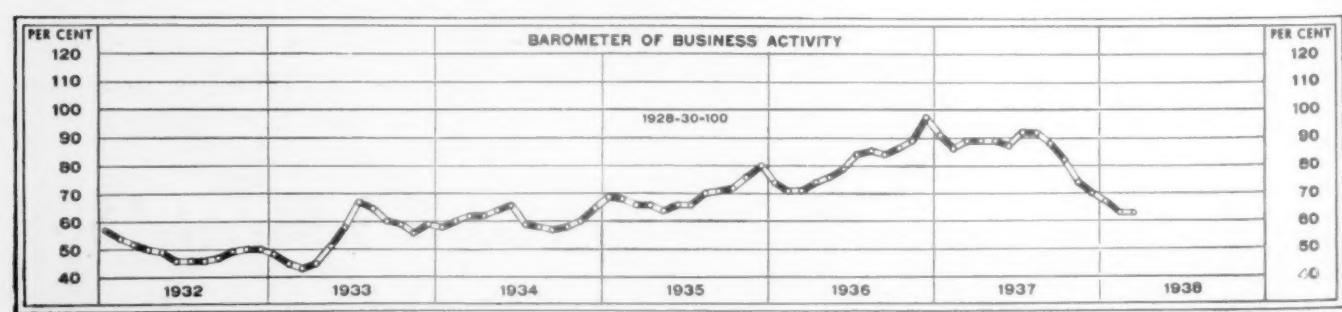


MARCH was a disturbed month at home and abroad. Unsettled foreign political conditions and unsatisfactory domestic business combined to depress security and commodity markets. The late Easter retarded retail trade, except in the South. Industrial areas generally were slower than agricultural sections. Department store sales decreased, while manufacturing was at a low ebb.

Although usual advances were not reflected in automobile assemblies, "Used Car Week" moved some stocks. Steel ingot production advanced to about 36 per cent of capacity, as against 90 a year ago. Farm equipment buying was noticeably improved. Public building led the construction movement, with engineering awards the highest since 1929.

Bituminous coal output was 35 per cent below the preceding March. Railroads were disappointed by the small advance in freight rates. Oil drilling was curtailed while the industry surveyed the effects of Mexican property expropriation. Electric output continued to drop.

The Map darkened perceptibly in March, for which the late date of Easter was partially responsible



The sidewise movement during March indicates a check to the severe downward movement of the chart line which began last September

America—here we come



THROUGHOUT the land a new spirit is on the march—a rallying of “volunteers” filled with high resolve to carry to their fellow-Americans a better understanding of the business system under which we live and prosper.

In more than a thousand communities, devoted groups of America’s two million business men are banded together and are eagerly engaged on the job of reselling the American System of free business enterprise which has given this nation the highest living standards of all times—and can continue to do so.

We were once proud to be dubbed a business nation. We had come, recently, to be ashamed of that designation. But the current interlude of “hard times” has now taught us once again to take pride—and to put faith—in the common sense practical method of providing in abundance more things for more people.

Is it too much to hope that we shall gain our stride again?

No—if we return to the time-tried American way of whole-hearted teamwork on the part of worker, manager, and tool supplier (investor); if we return to lower government expense and thus release more money for new enterprises and business expansion; if we *encourage*—rather than hamper—the men who have dreams and are willing to dare in the industrial field.

All of which is wrapped up and comprehended in the simple phrase

What Helps Business Helps You

THE JOB of each man who believes these things is to set about immediately to convince his neighbors, no matter how small his circle of influence.

If you want to help ask how of your local Chamber of Commerce or Trade Association or write:

NATION'S BUSINESS
WASHINGTON • D C

*If you are interested in a special pamphlet on this subject, write us.
No obligation.*

Speaking of Finance

By EDWARD H. COLLINS

Associate Financial Editor, New York Herald Tribune

E. C. HARWOOD, well known as teacher and as director of the American Institute for Economic Research, has just published a brief work called "Current Economic Delusions." Among the (to him) more spurious of the claims that he examines may be mentioned the following: "That all Economists Are Fools"; "That De-

valuation Will Double Prices"; "That the Competitive System Has Failed"; "That All Speculation Is Evil"; "That Inflation Can Be Closely Controlled"; and "That We Spend Too Much."

Mr. Harwood is clearly impatient with these theories. But there is something about which as an orthodox economist he is perhaps even more

incensed. While not objecting to experiments launched by sound economists, who know what is new and what is not new, or what has proved successful and what has not proved successful, he objects to amateurs tinkering with such important mechanisms as the country's monetary system. He particularly resents attempts to impose on this country, today, experiments which have been tried many years ago and been found wanting, if not actually explosive.

I might have found Mr. Harwood's observations less impressive were it not for the fact that, in a re-reading of the Life of John Law a few weeks ago, I was impressed greatly by the same thing. John Law was born in April, 1671, and it is well more than 200 years ago (1719-1720) that that great speculative orgy, Law's Mississippi Bubble, reached its peak and collapsed. Yet, a brief resume of the life of this curious combination of gambler and serious monetary theorist who flourished at the turn of the eighteenth century brings out sharply a number of similarities between his monetary theories and those in vogue these past five years.

Although a gambler and a wastrel in his early years, Law was seriously attracted by the possibility of stimulating trade by monetary and financial methods when he was serving as secretary to the British resident in Holland about 1700. The Bank of Holland was then 100 years old, antedating the Bank of England by more than half a century, and Holland was not only the leading trading country, but the richest country in the world.

Law was impressed by the relationship between the banking system and the country's trade. Thanks to its banking facilities, he noted, "there was an abundance of money to drive trade." He found it a striking and wholesome contrast with his own Scotland, where money was perennially "tight."

He next observed that paper money was at a premium in Holland, while customers of the banks did not demand precious metals. Here, however, his reasoning became confused. He did not seem to understand that, so long as a bank has firmly established its willingness and ability to pay out

From a Business Man's Scratch Pad . . . No. 25



BIG BUSINESS—NO. 4



More for Less

ALL workers are also consumers. If the cost of goods can be cut in half, a worker's purchasing power has been doubled, even though his money wages remain unchanged.

The increasing efficiency of private industry has brought within reach of the masses things that used to be luxuries for the rich. Ten years ago a mechanical refrigerator cost \$400. Today the price is \$160. Electric clocks which used to cost \$15 now cost \$4. When the motor industry made only 100,000 vehicles a year, the average price of a car was \$2,000. The present price of a far superior automobile is less than \$700.

Similar reductions have been achieved in the prices of hundreds of other articles. Such reduc-

tions are equivalent to an increase in the workers' income. Combined with actual increases in dollar wages, they have resulted in a tremendous improvement in the American standard of living.

For instance, in 1914 the average factory worker had to work 11½ hours to obtain enough money to buy a hat. In 1936, 3½ hours of work bought him the same hat. It takes him only half as many hours of work today as it did in 1914 to purchase his clothing. The house furnishings that he had to work 40 hours to get in 1914 cost him only 28 hours of labor in 1936. A study made in 1936 of 20 leading machine-made articles showed that a worker could buy them all for only 37% of the work hours it cost him in 1914.

As bankers for commercial and industrial enterprises, it is part of our responsibility to contribute something to a better understanding of the facts about private business.

BANK OF NEW YORK & TRUST COMPANY

48 Wall Street • New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

New York's First Bank

Founded in 1784

a certain amount of metal for its notes, the notes go to a premium since they not only boast a firmly established value in coin but are more convenient than the latter.

Law's rationalization of this phenomenon was that people actually preferred notes to silver and gold; and from then on he began, apparently, to consider the possibilities of increasing the volume of notes by making them issuable against other things than precious metals, particularly against land. Thus, he had, at that early age, been struck with the importance of what we call "easy money," and had largely laid the foundation for the assignats inflation of the French Revolution. He had not yet, however, gone to the extreme of inconvertible money, which has existed here since 1933. He was to come to this logically at a later period.

On the assumption of the Regency of France under the Duke of Orleans (long a sporting and social friend of Law) Law returned in 1706, at the age of 35, to Paris, partly because of his love of the gaming tables (where he was to amass a fortune of \$500,000), and partly because he saw a

possibility of introducing some of his monetary reforms in France.

The country was unquestionably in the mood for the high promises, the confidence, and the gambling instinct that Law brought. France was on the verge of bankruptcy. It had met its debts with onerous loans and high taxes. Five years before the death of King Louis XIV the coinage had been called in and a capital levy of ten per cent had been enforced. In 1709 the device was repeated, with the Treasury getting 23 per cent of the "profits." A third mark-down of the currency was carried shortly afterward.

(Compare this with our own dollar devaluation in 1933! The only difference in the two cases is that France was bankrupt when the steps were taken; this country had almost unlimited borrowing power. The three levies by the French totaled 48 per cent; our one levy totaled 41 per cent.)

The Regent finally was persuaded to listen to Law and to permit the latter to set up his own bank in 1716. This bank was established, strange as it may seem, on the soundest of principles. Each note was to be redeem-

able in the amount of silver it had been worth on the day it was issued.

As Thiers says:

"If Law had confined himself to this establishment he might today be looked back upon as one of France's benefactors."

Gradually something happened to the Law bank which was certain, ultimately, to be its undoing. Instead of remaining a private bank it became a Royal Bank. When a bank simply serves the government, it is perfectly safe; when it comes under government control or influence, then it is time to worry about monetary excesses. (This issue was fought out here in 1935, and the Government won out, with the result that the monetary supply is today not in the control of private institutions, such as the reserve banks, but under the Reserve Board and the Treasury. Reserve Board Control was sold to the country on the naive thesis that it would amount to having monetary policy dictated by a "Supreme Court of Finance.")

Scarcely had the Law Bank become a "Royal" institution than it was debauched. Notes were now issued, not



ON Friday of every week, at 2:00 p.m., the shop whistle gives warning that the weekly prize drawing of the Wesley Steel Treating Company in Milwaukee will be made. All of the workmen gather around a large wheel, bearing numbers corresponding with the workmen's shop numbers. Mr. Wesley himself gives the wheel a whirl. The winning number entitles its holder to a week's vacation with full pay in addition to the regular two weeks' vacation given all employees.

No man can win more than once in a year. To encourage new men to stay with the firm, workmen are not eligible for the prize until they have been with the company several months.—JOHN E. HUBEL.



The boss spins wheel to indicate number of worker who will get vacation.
Left, above: "The Winnah!" in one weekly drawing

A. & P. "super-market" poses exacting problems... economical solution is CONCRETE

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**THIS FOLDER SHOWED ME
HOW TO COMPARE
TIME PURCHASE PLANS**



**How to know
how much you pay for
installment credit**

**[New folder shows simple way
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How to find true cost of credit

Plans offered today differ widely in method and amount of charge—also in size, number and time of installment payments. Many involve discounts, "service fees," or "carrying charges."

You can often save money by comparing the various plans offered you and selecting the lowest cost credit adapted to your needs. How can you make this comparison? By calculating the true rates of interest charged under the various plans offered you. The true rate of interest tells the price you pay for credit whatever the payment plan.

Household Finance has just published a quick, easy method for figuring true interest rates. This new addition to Household's list of consumer publications is called the "Consumer Credit Cost Calculator." With this handy calculator you can determine the credit cost of any installment purchase or installment loan in just a few moments. You are invited to send for this helpful calculator which Household Finance has prepared to promote a wider public understanding of credit costs. Mail the coupon below and you will receive a copy without obligation.

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with the backing of silver and gold of a given weight, but as simple promises to pay so many coins. They were subject, therefore, to fluctuations in value. Almost immediately thereafter they became convertible. All payments above certain amounts were to be made in gold or notes; and since little or no gold was available the notes became, to all intents and purposes, paper money. (For a comparison with what happened under the New Deal, turn to the Banking Act of 1933. Here we adopted a streamline version of Law's inconvertibility with the amazing statement that notes would thereafter be convertible *at the option of the Secretary of the Treasury*.)

The "value" of paper money

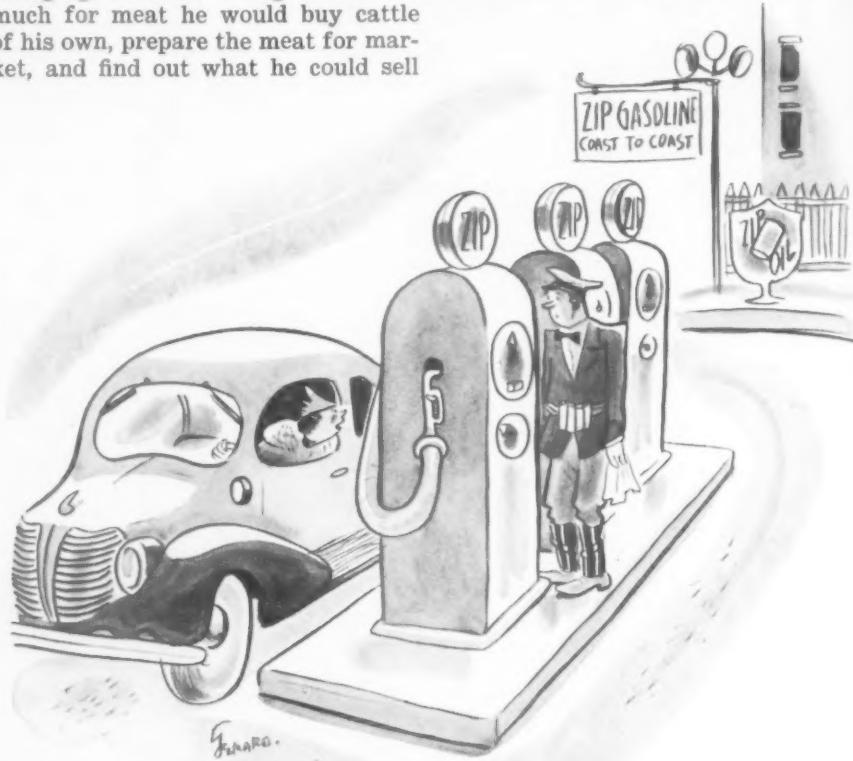
LAW, it seems, still retained the enthusiasm of his young manhood in the theory of paper money such as he had seen at work on his stay in Holland. He believed it was the duty of the state to compel people to use it, "since it would promote their interests even against their own will." (It seems only yesterday that a member of the brain trust, while expressing his horror at a general resort to paper money, expressed the view that "a little whiff of inflation" might be a good thing.)

In one or two other particulars one will find the attempted solutions of Law have a strangely modern note. When he found that butchers were charging what he thought was too much for meat he would buy cattle of his own, prepare the meat for market, and find out what he could sell

it for. If it was lower than the butchers' price he would call upon them to reduce their quotations accordingly. (Some will find in this a touch of the T.V.A. idea; others will be reminded of the Administration's attacks on the prices of steel, copper and cement about a year back.)

Law had always maintained that notes were better than a fluctuating currency; but in his later years, as his banking edifice and his huge overseas ventures, the Company of the West and the Company of the Indies, began to totter, he carried this theory to a strange conclusion. He issued an edict that said that gold and silver as money were prohibited. And he did something else. He did something to whose repetition we were witness here about a year ago when the White House and the Treasury refused to issue a statement on a persistent rumor that they could have denied at any time. That was the rumor that gold was to be devalued. Law deliberately set such reports in circulation to bring in metal.

Even in halting the booms that they had created, Law and the present Administration took similar action. Law declared that the shares of his companies were selling too high; Mr. Roosevelt declared that commodity prices were too high. Both moves may justify themselves in the longer view, but both struck heavily at national confidence, and the feeling probably will always persist that they should have been taken far sooner.



"Young man, I haven't cared much for your radio program lately."

TO THE EXECUTIVE WHO LIKES TO GO HOME FOR DINNER



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MEMO... for Busy Readers

- 1• Is the skyscraper outdated?
- 2• Municipal airports run at a loss
- 3• Who buys automobiles?
- 4• Insurance helps build cities
- 5• Accidents cost too many lives
- 6• Fewer newspapers are published
- 7• Laws and more laws

Cities Go Horizontal

only as outmoded architectural exclamation points when viewed through the eyes of the American Society of Planning Officials.

As the Society sees them, skyscraper building days in the United States are done and many of the towering office buildings already built may stand as historic examples of American twentieth century oddity. Construction of huge office buildings in the boom days of the 20's not only has resulted in an oversupply of office space at present, the planning group said, but current trends indicate a steadily decreasing need for such structures in the future.

This prediction is based on population and city development. Population experts, the Society reports, forecast a stabilization of population with a balancing birth and death rate by 1960, when it will total approximately 150,000,000, with family units smaller and the number of families larger.

Phenomenal growth of cities is also a thing of the past. Although cities will continue to grow, the rate will be much slower, and growth will exhibit different characteristics. Present trend of city growth is toward decentralization. In nearly every large city, population is moving from the center of the city to the suburbs. Many stores and offices are opening branches in outlying districts.

"This trend is most noticeable," the planning group said, "in Chicago, Cleveland, and New York. In the ten-year period from 1920 to 1930 the population of the borough of Manhattan decreased from 2,284,103 to 1,867,312. In the same period the Detroit board of education estimated a population loss within the Grand Boulevard area alone of 120,000."

End of a Boom Era

whether to spend millions of dollars more to enlarge airport facilities in which they have already invested more than \$300,000,000 and are operating at sizeable annual losses. The problem is most difficult in smaller cities along the

SKYSCRAPERS may continue to fascinate the goggling tourist, but they rate

civil airways system, asserts the American Municipal Association, because the same facilities for landing large commercial planes are required regardless of *per capita* costs.

Municipal airports are now operated by 738 cities. Much of the interest in airport construction dates from the boom days when the possibilities of aviation fired the imagination, says the Association.

"In those days many persons thought the airplane would add materially to interstate and local commerce. An airport was thought of in almost the same terms as a new factory. Cities have had enough experience with airports to know that this hope was unfounded. A few cities have benefited from the airplane industry through location of factories or service headquarters, but most cities have found that airports bring little except prestige, a commodity of which taxpayers soon tire."

Reports of 84 cities operating municipal airports reveal that 78 stood an annual operating loss totaling \$1,039,936 not counting depreciation, principal or interest payments on airport bonds. The average annual loss for the 78 cities was \$13,332. Six cities showed an average operating profit of \$551.

Anatomy of Car Owning

IMPORTANCE of continuous activity in the used car market was publicly emphasized by the automobile industry in the national observance of a week of intensive sales effort. A view of the situation from a related business defines belief that the tax burden is a decisive retardant to the liquidation of antiquated vehicles.

Approximately 6,500,000 cars having a value of \$50 or less, operated chiefly by motorists with incomes of less than \$20 a week, are now operating on the nation's highways. Most of these cars are seven or more years old. These, owned by families with modest or low incomes, apparently form the bottleneck of both the new and used-car markets of the United States. The rate at which they are scrapped, or exchanged for less antiquated models, determines in large measure the activity of the new and used-car markets. If the life of these old cars, which constitute approximately one-quarter of the total automobiles operating in the United States, is prolonged, sales and exchanges of used cars fall off.

This depression in the used-car market is reflected in reduced sales of new cars, as virtually all prospective buyers of new cars have a used car to offer in trade. If a dealer has an unduly large part of his capital tied up in used cars, which are moving slowly, he is reluctant to offer attractive trade-in allow-



"Mr. Feemster will see you in just a moment."



A City Saved by a Thread

Fire broke out in a congested section of the Massachusetts city of Fall River. Lashed into fury by a forty-mile gale, the raging flames rapidly spread beyond the control of the local fire department. Conflagration threatened to destroy the entire city.

Responding to a desperate call for help, fire apparatus came from over twenty communities. They were able to stop the fire, averting disaster . . . because, luckily, the thread of their hose couplings fitted the Fall River hydrants. Had the fire occurred three years earlier, their help could not have been used. For, it was only within that time that those communities had adopted standard hose couplings upon the urging of the National Board of Fire

Underwriters. So, the city was saved by a thread . . . a dramatic demonstration of the effectiveness of the fire-prevention activities continuously carried on by 200 capital stock* fire insurance companies through their organization, The National Board of Fire Underwriters. The average citizen little realizes what that organization has done and is doing to prevent loss of life and property . . . through making surveys and recommendations and through the testing of manufactured goods and materials by Underwriters' Laboratories, Inc., which it founded.

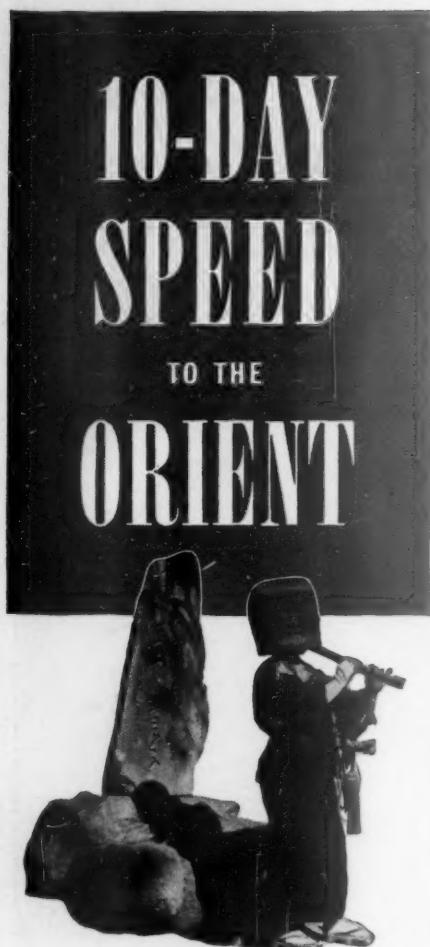
How many lives and how many buildings have been spared due to the activities sponsored and maintained by capital stock fire insurance companies no one knows. But, fire losses have been reduced, as evidenced by the fact that

the capital stock fire insurance companies have been able to reduce their average rates . . . over 40% in the last thirty years.

***CAPITAL STOCK COMPANY FIRE INSURANCE** provides sound protection at a predetermined price, without risk of further cost. In addition to legal reserves, its policies are backed by cash capital and surplus funds set aside to meet not merely normal claims but also the sweeping losses due to conflagrations and other catastrophes. Its organized public services are national in scope. Its system of operating through Agents everywhere gives prompt personal service to policyholders.

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Canadian Pacific

ances. Prospective buyers of new cars, unable to obtain satisfactory trade-in allowances, delay buying. Usually several years of transportation remain in a trade-in car, so the average buyer of a new car can postpone his purchase.

The automobile market is divided into three general divisions. First are the new-car buyers, who constitute a minority of the nation's motorists. They earn, for the most part, more than \$30 a week. Next are the second-hand car buyers, followed by the third- and fourth-hand car buyers. Millions of motor vehicles have three or more owners before they finally are junked. Second-hand car buyers earn from \$20 to \$30 a week and pay about \$250 to \$300 for their cars, passing along their old cars in the deals. The third market consists of the third-, fourth-, and fifth-hand car buyers. The incomes of these motorists are generally \$20 or less a week, and the prices of the cars range from \$50 to \$150.

Taking the view that high automotive taxes have a retarding effect on one-quarter of the nation's motorists whose cars are worth \$50 or less, the American Petroleum Industries Committee finds evidence that the most practical way to stimulate the sales of both new and used cars, and to shorten the life of the millions of antiquated cars now operating, is to lower automotive taxes.

Insurance Aids Cities

WELFARE of millions of Americans is promoted by the investment of life insurance companies in the obligations of state, county and municipal governments. To quote the National Committee on Life Insurance Education:

Many municipalities today are enjoying better water, greater fire protection, new schools or other essential public additions or improvements as a result of investments made by life insurance companies of the premium payments of 64,000,000 policyholders.

Forty-nine American life insurance companies, with around 92 per cent of the assets of all life insurance companies, held approximately \$1,424,000,000 of state, county and municipal bonds at the close of 1937—a gain of \$123,871,000 over such holdings at the end of 1936. This class of government securities, in point of increase and aggregate holdings, is exceeded only by United States Government obligations, which totaled \$4,416,000,000 or an increase of \$714,545,000 over those held at the 1936 year end.

Back in 1906 these same 49 life insurance companies, according to statistics compiled by the Association of Life Insurance Presidents, held \$103,789,000 of municipal bonds, or roughly, 3.6 per cent of their total assets.

Municipal bond holdings of life insurance companies have increased more rapidly than total municipal indebtedness, which has been more or less at a standstill, partly as a result of federal government aid and partly from forced entrenchments resulting from depression conditions.

Toll of Accidents

HIGHWAY deaths in the United States last year totaled 39,700, four per cent above the figure for 1936. Deaths per thousand miles of travel declined three per cent. Relatively, it was safer last

year to travel in an automobile than ever before.

Traffic fatalities in 1937 constituted 36 per cent of all accidental deaths, according to the National Safety Council. Accidents in the home—slipping in the bathtub, falling over chairs and similar mishaps—resulted in 32,000 deaths. Industrial accidents claimed 19,000 lives, and other accidents, according to the Council, resulted in death to an additional 19,000 men, women and children.

Decrease in Newspapers

NEWSPAPERS published in the United States in 1937 decreased by 221 compared with the preceding year. The 1937 total includes 2,084 daily English language newspapers, a decrease of 23; 10,629 weeklies, a loss of 176; 359 semi-weeklies, off 18. There were 15 more daily papers with Sunday editions, an increase of 11 in the number of foreign-language daily papers, and three more tri-weekly papers.

Of the newspapers, 1,605 were evening, 454 morning and 25 all-day. Aggregate net paid circulation of the dailies in the United States was estimated at 41,400,000, of which 25,800,000 represents evening papers and 15,600,000 morning papers. Sunday paper circulation was put at 31,000,000.

While the number of newspapers decreased, continuing a tendency of several years' duration, the 1938 edition of N. W. Ayer & Son's *Directory of Newspapers and Periodicals* lists 128 monthly periodicals for the first time. This increase was partly offset by decreases in other classifications. All told, the directory lists 20,683 publications in the United States, Canada, Newfoundland, Bermuda and the West Indies.

Grist of the Law Mills

FROM the grist of 55,000 bills, the legislative mills of 43 states ground out 17,194 new laws in regular sessions last year. In 18 special sessions in the course of the year approximately 1,000 additional bills were considered. Although both houses of the state legislatures actually passed 18,483 bills or about one-third of all they received, nearly seven per cent of the measures which gained their endorsement, or 1,245, were vetoed by governors. Veto power is held by governors in every state except North Carolina.

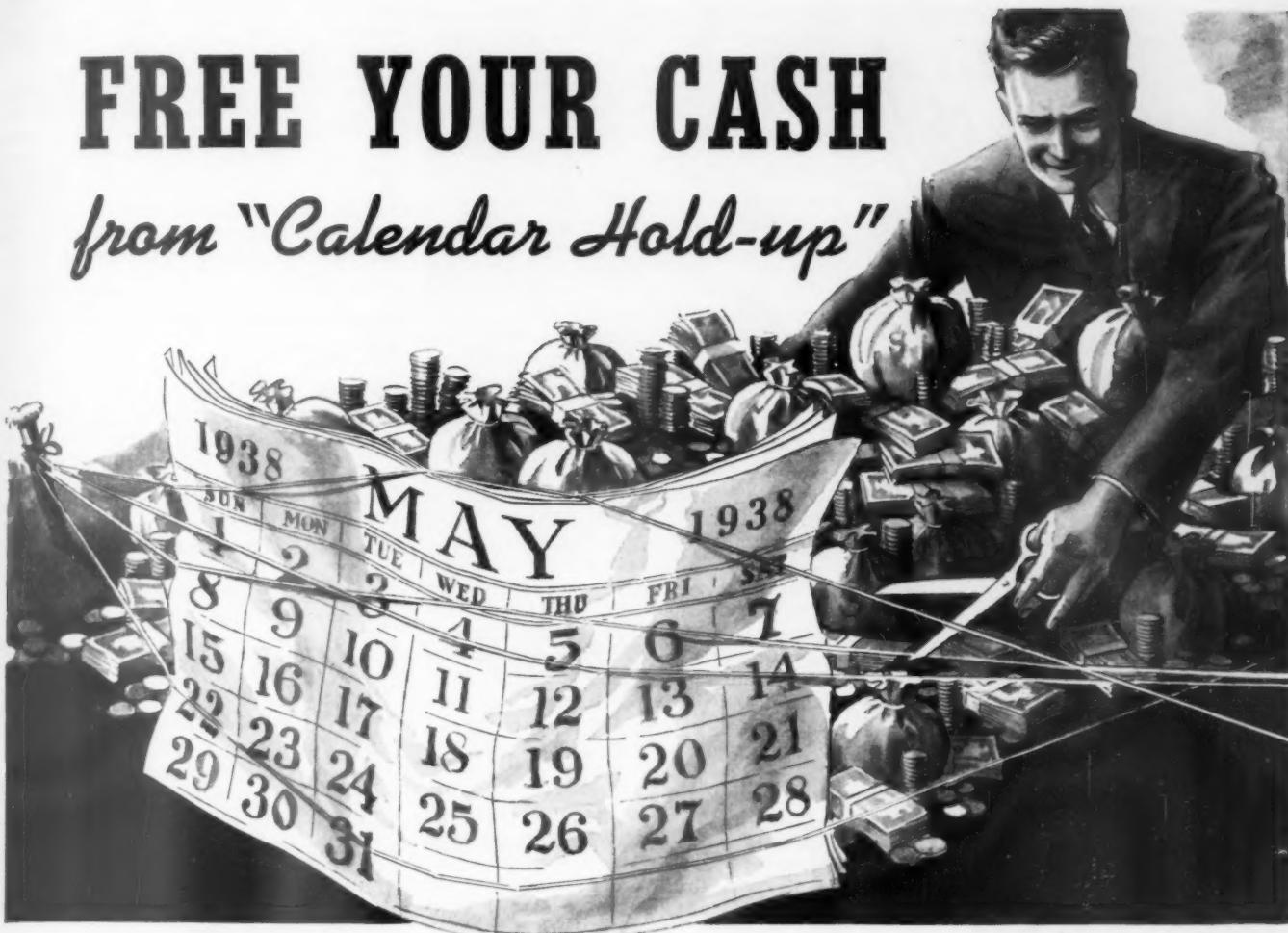
Minnesota's legislature, which received 3,037 proposals, passed only 495, the smallest percentage of any state. Ohio passed only 208 of 1,805 proposals, or about one-fifth of all bills brought before the legislature.

Legislatures of more populous industrial states in general received more bills and enacted more new laws than most of the agricultural states, but followed the national trend as to percentage of laws in proportion to bills introduced. New York enacted 1,248; Pennsylvania, 756; New Jersey, 185; and Massachusetts, 546.

The Tennessee legislature received 3,068 bills, the greatest number for non-industrial states. Nebraska's new unicameral legislature considered and

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THIS MODERN FINANCING PLAN regulates collections, limits credit risks

WOULD you like to receive in a lump sum now the money that is owed you on open account?

Would you like to carry on your business so that immediately upon shipping and invoicing an order, the full proceeds in cash would be available to you?

Our open account financing plan does away with the 30 to 90 day

wait for payment that you now endure. Your customers get their regular terms. You get your cash upon shipment...at a cost less than you'd allow them for cash discount. Your customers pay you as usual. And they are not notified of any change in your financing plans.

You keep full control of your business, pass credits and receive pay-

ments as made. You regulate your collections to your need for cash... selling us your receivables only in such amounts as your requirements call for.

In addition, under the LIMITED LOSS provision of our financing service, your credit losses cannot exceed a small pre-agreed percentage. We assume all the excess risk.

Make use of this flexible and economical plan of industrial financing. It assures you the extreme liquidity and high credit rating so helpful under present conditions.

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Capital and Surplus Over \$64,000,000

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THE LOSS TO FIRE and CRIME STEPS IN

DOLLARS, hundreds of millions of dollars, are lost annually by American business to fire and crime. Chance fire and petty thievery that never make the front page are chief factors in this steady drain of loss.

WITH THE COMING of Spring, man naturally relaxes, but fire and crime never stop to rest. They must be held at bay.

WHEN YOUR WATCHMAN detects a small fire and puts it out, he stops all loss, insured and otherwise. Every businessman knows the ruinous effects of a fire beyond the amount that insurance pays.

THE SYSTEM that checks your watchman is as important as the watchman himself. Your insurance policy doubtless so specifies, and a Detex Watchclock System represents for most companies, the simplest, most economical, most efficient system for insuring the vigilance of the watchman.

More than 80,000 clocks in nightly use are the best evidence of that fact.

ASK DETEX to supply you with information on a Detex System that will furnish proper protection of your property at low cost.

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29 Beach St., Boston Room 800, 116 Marietta St., Atlanta

passed fewer bills than most of its neighboring states. The unicameral body received 581 bills and passed 228.

Where Life Premiums Go

LIFE insurance policies currently outstanding total 130,000,000-odd and are divided among 64,000,000 persons. Number of policyholders exceeds the number of voters in the last national election as well as the number of wage earners in the entire country by nearly 50 per cent.

"In 1929, the major investment of the companies," says *THE INDEX* of New York, "was mortgages, both farm and other type of mortgages constituting 42 per cent of the total of all assets." By the end of 1937, this class of investments had declined to 19.3 per cent or less than half the ratio of the earlier year. Decrease in total mortgage holdings has been counteracted by an increase in bondholdings, in which United States Government bonds now play the major rôle.

Total for all bonds, at the close of 1929, amounted to \$5,657,000,000, or approximately 35 per cent of the total admitted assets. Eight years later it had more than doubled, amounting to \$12,962,000,000, or 53 per cent of such assets.

Thrift Still a Custom

SAVINGS deposits in banks and trust companies throughout the United States

increased \$1,035,863,000, or 4.4 per cent in the year ended June 30, 1937. Total savings deposits, as represented by savings accounts and time certificates of deposits in the continental United States, totalled \$24,499,448,000, \$3,373,914,000 above the low of \$21,125,534,000 in 1933. Number of savings depositors increased 1,829,466 from 42,396,712 to 44,226,178, a gain of 4.55 per cent. In only five states was there a decrease.

In spite of a steady increase since the severe drop of the crisis years, the number of depositors is still 4,000,000 below the 1927 figure and 8,962,170 below the all-time high of 1928.

Savings per inhabitant averaged \$191 against \$184 June 30, 1936, an increase of \$7, "a handsome gain over the 1933 figure of \$168 per inhabitant," as rated by the American Bankers Association, "though still short by \$46 of the all-time high of \$237 per inhabitant reached in the lush year of 1928."

What's Back of a Job

EACH of General Motors' 205,000 employees represents an investment of

more than \$6,000 in factories, tools, equipment and materials. About five men are employed in factory production for each worker in research, engineering, purchasing, selling, advertising and keeping records.

"Jobs are not created overnight by the wave of someone's hand," asserts a booklet, "What Is a Job?" recently issued by the Corporation:

A job in a General Motors factory does not consist only of a man at work. Back of the man at work in a factory there must be equipment and facilities. And

there must be supervision and management—as well as engineers, research workers, testers, and other trained men to determine what to produce, how to produce it, and when to produce it.

We ordinarily think of capital as money. But capital isn't just money. We simply use dollars to measure the value of capital, just as we use scales to weigh sugar. For example, the major part of General Motors capital consists—not of dollars—but of land and buildings, machinery and materials. All of this capital represents savings of investors.

Freight Toting At a Pittance

EVIDENCE of the efficiency of American railroad freight service is for all to see. Not so clear is its low price compared to other countries. In 1936 the respective rates for shipping a ton of freight one mile in the countries listed below, according to the *Wall Street Journal*, ranged from 3.48 cents in France to .77 cents in Japan. In descending order of magnitude, the rates were:

France	3.48
Great Britain	2.73
Italy	2.71
Europe Av.	2.68
Australia	2.50
Germany	2.48
China	2.19
Poland	2.02
Mexico	1.77
Argentina	1.74
India	1.08
Canada	.98
United States	.94
Japan	.77

How two high-wage countries, the United States and Canada, were able to approximate the rate of low-wage Japan and show better than low-wage India is a question answered in the main by the quality of their railroad management.

Spread of Sales Taxes

TWENTY-THREE states now have sales taxes, differing greatly in form, coverage and exemption. With nine state legislatures in session this year, Massachusetts and New Jersey are considering a sales tax measure and Mississippi's Governor Hugh L. White in his message urged reenactment of that state's sales tax and, in addition, passage of a "use" tax.

Among the other legislatures in 1938 session, Kentucky, New York, Rhode Island, South Carolina and Virginia have no form of sales tax. Louisiana, which meets in May, already has a general sales tax. States which in one form or another have passed this widely debated "emergency" tax, relatively unknown before the depression, are:

Arizona, New Mexico, North Dakota, South Dakota, Missouri, Louisiana, Illinois, Mississippi, Alabama, North Carolina, West Virginia, Indiana, California, Washington, Utah, Wyoming, Colorado, Kansas, Iowa, Arkansas, Michigan, Oklahoma and Ohio.

States which have had sales taxes of some variety and let lapse, reports the Federation of Tax Administrators, include Georgia, Maryland, New York and Pennsylvania. In Idaho, Kentucky, Maine, New Jersey, Oregon and Vermont, sales taxes have been repealed or invalidated.



DETUX
WATCHMEN'S CLOCKS
NEWMAN • ECO • ALERT • PATROL

Finding a Job at 50

(Continued from page 30)

in depressions and the first to be rehired when business picks up. They get preferred treatment in dismissal compensation, in pensions, and in benefit plans. In many companies a man with ten or 15 years' service, if he does his work acceptably, is practically assured of a job until he reaches retirement age—in the absence of some economic disaster to the company or to the industrial system.

The charge that employers decline to hire middle-aged men as new employees is true of many, perhaps most, of the large companies. They may have formal rules to this effect, or they may not, but this does not affect the practice. Maximum age limits vary, but in general it is extremely difficult for an ordinary worker past 50 to get a job with a large organization. The same thing is true of a woman past about 35.

There we have a strange seeming paradox: The very firms that are the most solicitous in looking after the interests of their own veteran employees are likely to be the most reluctant to take on new workers in the higher age brackets. It looks, doesn't it, as though the same personnel methods that protect the mature worker who has a position make more difficult the employment problems of the aging job seeker? It not only looks that way; it is that way!

Part of large problem

IN LOOKING for the causes of such employment discrimination as exists against the middle-aged worker, we should first of all remember that our problem is part of a much larger one—that of unemployment in general. If there were jobs enough for everyone, no willing and competent man would be turned away from the employment desk. But in recent years—even in those of prosperity—there has been a surplus of labor.

Not since about 1923 have employers felt or even feared a labor shortage, except as to a few skilled trades. Since 1929 the surplus has been abnormally large, due partly to depressed industry and partly to policies which have added to direct labor costs and thereby caused displacement of hand workers through use of machinery and improved methods.

In this situation the employer has been able to take his choice from among the applicants for work. The job hunter has had to sell his labor in



"Why I'm Driving My Sixth Dodge" by W.J. McAllister MONMOUTH, ILL.

HERE'S MR. McALLISTER'S RECORD

Miles traveled per year	30,000
Average gas mileage per gallon	18
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This preference for youth, inevitable in any industrial system, is increased by the change from old to new manufacturing methods. In many processes, strength and agility, rather than skill and experience, are demanded. True, the machine has taken on the heaviest loads—the lifting and handling of materials—and there is less need than formerly for bulging muscles but, at the same time, the pace has quickened and there is more need for unshaken nerves and fast reaction time. This is a part of the price society has paid for the high standard of living made possible by the economies of mass production.

Experience a necessity

THERE is a conceded desirability of holding the average age of the workers in a plant within normal limits. No employer in his senses wants to man his factory wholly with youths, but he could not operate efficiently if all his employees were old men. Those who grow old in the service are more than enough to fill all the jobs suitable for men with dimming eyes and lagging steps. If to these were added an unlimited number of fellow-workers who had been hired at 45 or 50, the proportion of elderly employees would unbalance the working force and make efficient and economical production impossible.

It is true theoretically that this situation might be relieved by early retirements on pension, but, as we shall see, the solvency of pension funds would be threatened by the indiscriminate hiring of persons of middle-age.

Some large companies have experimented interestingly with hiring procedures intended to keep the age groups in their plants proportionate to the age groups in the communities where they operate. Such policies doubtless would win public approval so long as they resulted in more, rather than less, hiring of elderly men. In many plants, however, the average age already is higher than the average for the communities.

Many organizations maintain an almost unvarying policy of making all their promotions from within, sometimes boasting that, if the president should retire, everybody would move up one step and an office boy would be hired. With this policy society can have no quarrel, since it seems to bring the utmost in fair treatment to the faithful and loyal employee. It has some defects in making it difficult to get new blood into

a business enterprise, but with these we are not here concerned. Certainly it makes more difficult the employment of persons who have passed their youth.

Not long ago a cost accountant applied for a place with a very large company that is known for its enlightened personnel program. He was informed that he was too old to be hired. His age happened to be 25! In explanation he was told that the company hires no male employees in its headquarters office except office boys and fills all advanced positions by promotion.

If an organization hires none but beginners, it is logical to assume that these beginners should be young. Moreover, it is considered bad employment practice to hire a man for a job that is not good enough for his qualifications and experience. This is one reason why an executive, dislodged for any reason from his former position, is likely to find it even harder than does the ordinary worker to get himself a new one.

We often hear that private insurance and pension plans militate against the employment chances of the middle-aged. To some extent this is true. Group insurance premiums are based on the average age of the protected groups and this average can be held down only by hiring new employees in the lower age brackets. If the average age of a company's present insured employees is 40, and if new men are taken on at 55, the premium goes up, especially as the present employees grow older every year. If many elderly workers are hired, the company or the other employees will have to pay higher insurance costs.

The problem of pensions

THE PENSION situation is similar, but somewhat more complex. In the ordinary pension plan, each annuitant draws his income from a reserve, or an insurance credit, built up for him in the course of his period of active service by payments by himself, by his employer, or by both.

This principle prevails even in pension plans that have no reserves for accruing liability, because the disbursements under these plans will increase for an indefinite time in the future.

To accumulate an adequate reserve during a brief period of active service, like that of a man hired at 50 and retired at 65, would require contributions, in proportion to the man's pay, so high that they would be unbearably burdensome to the company or to him.

If any company should suddenly begin to hire all its new employees at

the age of 50, its pension liabilities would have to be figured all over again and the new requirements for reserves might lead straight to the bankruptcy court.

It is true that there is another type of industrial pension, the so-called "money purchase" plan, under which the individual employee, upon retirement, gets only the annuity which the contributions to the fund made during his own period of active service will buy. This provides a safeguard against excessive reserve requirements. But, with this kind of a pension plan, the man who reaches retirement age after only a few years of service will receive an annuity so small that he cannot live on it and the purpose of the pension plan will have been frustrated.

With the further development and rounding out of social security under federal and state laws, the employment difficulties of the middle-aged, so far as they are caused by private pension and insurance plans, are expected to diminish. Under the existing Social Security Act, a man may have several employers in the course of his productive years, and carry his annuity credits from one job to the next, thus relieving of a disproportionate burden the company which hires him in mature life.

In fairness it must be admitted that a part of the reluctance to hire older workers is the result of mere prejudice. By this is not meant personal prejudice on the part of individual employers. Most executives and many employment managers are themselves in the middle or higher age brackets, and they get no satisfaction out of telling men of their own generation that they are too old to be hired. But there is a sort of traditional prejudice—an unreasoned belief that there is a distinct advantage in employing people at as low ages as practicable.

Beware of prejudice

SOMETIMES this prejudice affects a whole industrial community, like the manufacturing city of which a personnel man said: "The ideal age (for women employees) is 18 to 21. They don't want middle-aged women of 25 or old women of 40 in their plants."

It is no part of my purpose to propose any 100 per cent solution of the employment problem of the aging worker. He who would undertake that would be setting himself a task beside which Ponce de Leon's quest might well seem simple and easy. Nevertheless a few suggestions may be hazarded, with the understanding that at best they are palliatives, not cures. These suggestions group themselves naturally into things that may be

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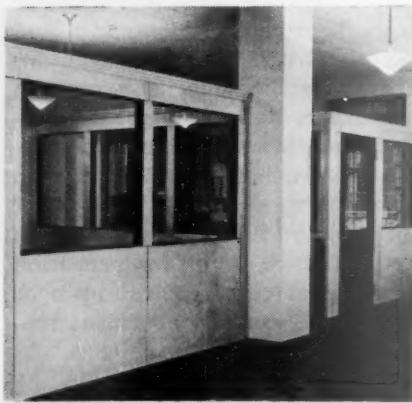
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done by individual workers, by employers, and by society.

For the individual worker, one of the best forms of insurance against joblessness in middle life is the acquisition of some special skill that makes his services desirable. Industry needs relatively fewer skilled workers than in the past, but those whom it does need fill vitally important posts and are hard to find. One personnel manager was heard to remark:

"If a good tool maker should walk into our employment office, we'd hire him even if he were 80 years old."

During parts of the period of unemployment following 1929, various industrial centers actually reported scarcity of certain types of skilled craftsmen.

The worker, whether jobless or jobholding, will be wise to avoid the preventable symptoms of advancing age. This does not mean that he should resort to hair dyes and anti-wrinkle treatments; these devices are fairly transparent to the experienced employment interviewer. But there are personal peculiarities and mannerisms that betray not only the passing of years but the vanishing of youthful adjustability and elasticity of mind.

Rules for the man of forty

IF YOU are more than 40, watch yourself for impulses to reminisce, to become verbose, to express doubt whether things ever will be as good as they were in the old days. Avoid the two extremes of slovenliness and exhibitionism in dress. Be ready to take up new ideas and new methods, even if it means changing the habits of a lifetime. To be sure, none of this necessarily will avail against a rigid maximum age limit, but it will go far in helping the applicant take the greatest advantage of whatever opportunities there are.

And those opportunities may be more numerous than would appear. The job seeker should not neglect the small companies and individual employers, many of whom are more willing to hire elderly help than are their bigger competitors.

Especially if these concerns have no pension or group insurance plans, they may show little prejudice against the grey-haired worker. With fewer responsibilities, they can afford to take more chances.

But the best insurance of all against being turned away from the employment desk is not to get in front of that desk at all; that is, not to have to hunt a job. To the man who has been displaced as the result of a consolidation or a plant shutdown that may sound like a tasteless jest, but a

little thought will show that shutdowns and consolidations are not the normal thing in business, and that employers ordinarily want to give permanent work to their staffs. Not invariably, but in an extraordinarily large number of cases, the man himself makes the decisions which lead to employment or unemployment in later life.

The worker who does not want to stand in the employment line when he is 50 should get himself settled in a career before he is 35—preferably before he is 30. He should use care in selecting an occupation and an employer and, once established, he should resist the temptation to shift from job to job. Industry feels little responsibility for drifters.

Granted, this is not very inspiring advice. In some individual cases it may not be even good advice. The world still needs pioneers and adventurers; without them progress would bog down and stop. They are the men who get from life the keenest thrills and the deepest disappointments. But they don't get security. If you have absolute confidence in your ability and your luck, and if you have an irresistible urge to fare forth into untried occupational fields—here's to your success! But don't expect to find a safe job and economic security at the end of the trail.

To the employer, there is no need to give the advice that he consider carefully and sympathetically the employment difficulties of the older workers. He is already thinking harder and more constructively on the problem than are most of the critics of industry who think they can solve it. It might be suggested, however, that he do his best to avoid prejudice and mere traditional notions that may lead to more severe discrimination in hiring than is reasonably necessary. Maximum age limits, like other factory rules, should be scrutinized both as to their necessity and as to their reasonableness.

Rules can be too rigid

I VENTURE to suggest that, for the ordinary company, a rigid hiring age limit, which cuts off an applicant without hope of appeal if he has passed a particular birthday, is less desirable than a general policy of considering prospective employees on the basis of their qualifications for the jobs in question, with due regard for the average age of the working force. To be sure, the latter plan may not lead to greatly different results, but at least it will leave the employer free to take on an occasional desirable worker who is no longer young. Moreover, it is less discouraging to the older portion of the working popula-

tion, and is easier to defend before the public.

Also it is worth while to review the industrial relations policies of the company, to see if any of them can be modified so that they will be less serious obstacles to the hiring of mature workers. In pension and insurance plans, for example, some companies have experimented with regulations under which a man can be hired at almost any age, but has to pay out of his own wages the increased cost of his benefits. Employers should encourage training and reeducation programs intended better to fit jobless men into new positions. They should try to help young workers choose careers and get settled early in life, so that in the future jobless veterans will be fewer.

Society has biggest job

BUT it is upon society as a whole, rather than upon the employer or the employee, that the heaviest responsibility for the welfare of its older members ultimately must rest. In this country society already has embarked upon a program of social security, thus showing a willingness to spread a part of the cost of economic risks over the population as a whole. This program doubtless will be developed and perfected. If wisely created and administered, it will go far toward alleviating want and unemployment among the elderly.

For the solution of the whole unemployment program, the most important need is more jobs. Here also, the responsibility is primarily upon society and upon the governments which represent it. Society can encourage and build up private enterprise, or it can hobble it with regulation and repression, or it can discard it altogether and replace it with some new system. This is not the place to argue about the effects of one or another governmental policy. It need only be pointed out that, to create jobs that will absorb the unemployed, industry not only must operate at a high level of activity but must be permitted to earn profits that will encourage the investment of capital and the use of managerial and inventive talents.

Finally, society must make up its mind what it wants with respect to employment. If it believes that the indiscriminate hiring of older workers who are seeking jobs is more valuable than the vocational security of men of similar age who are now on pay rolls, it can get what it wants either through legislation or through the force of public opinion. It can have the one thing or the other. By no method thus far discovered can it have both.

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The Yankee Fight for Control of Floods

(Continued from page 26)

The report showed that the benefits from flood control predominate, with only incidental benefits to hydro-electric power generation, recreation, and sanitary conditions. As dike construction does not enter into the question of the compact, that phase of flood protection is not discussed further. Out of a total of 20 reservoir and dam projects listed by the Army Engineers, 11 were selected for the first step. Eight of these were to be finally chosen in the compact.

The great floods, not only in New England but also on the Alleghany, Monongahela, Ohio, and Mississippi rivers in 1936, caused Congress to pass an omnibus law for flood control. The act was remarkable in declaring a new policy necessary for national welfare. Instead of having the federal Government meet the entire cost of flood protection, the states were to pay the cost of acquiring lands, damage suits, and maintaining the projects when completed.

The main emphasis was placed on flood control only—under the jurisdiction of the War Department—but “penstocks and other facilities adapted to possible future use in developing adequate electric power might be installed on any dam” when authorized.

Compacts between two or more states for flood control and other purposes were permitted, subject to War Department ruling.

States were given the choice of:

1. Providing the land themselves subject to ratification by Congress or
2. Paying cash to the War Department for the purchase of land; which did not require the consent of Congress.

The framers of the compact chose the first of these alternatives. This point became of great consequence later. Further, there was no indication in the Act that *titles* to the land should pass to the federal Government. The law simply says that the states “will provide without cost to the United States all lands . . . hold and save the United States free from damages due to construction works . . . maintain and operate all the works after completion.”

States would lose control

LATER when titles were claimed by the opposition it was obvious to the framers of the compact that the states could not be expected to pass titles and then run the projects.

After the great flood, the governors of the four states called together ex-

isting committees to negotiate with the federal Government for flood control. A single joint commission with representatives from the four states met June 3, 1936, in Boston and subsequently held conferences which officers from the Army Engineering Corps attended. President Roosevelt visited Hartford in the 1936 campaign and expressed great interest in flood protection for the Connecticut Valley. Several months later he urged that compacts be drawn up as soon as possible.

However, reports from the White House early in 1937 implied the futility of interstate agreement and that the Connecticut compact idea “doesn’t seem to work.” In February, 1937, the President announced the seven little TVA plan.

Shortly afterward, the Connecticut River Flood Control Compact was announced with the unanimous consent of the commission and the Army Engineers backed by the approval of the Secretary of War who was gratified with the prompt action of the four states in compliance with the Flood Control Act. He said:

Under the existing legislation, the rights of way are furnished by the state or subdivisions thereof and remain the property of the state. In return, the states should reserve for future development the conservation values of the individual reservoirs. The flood control program thus becomes a coordinate and comprehensive one for general conservation which will not only reduce the annual losses now sustained from floods, but will also return direct benefits to the areas in which the reservoirs are located.

The compact provided for the building of three reservoirs in Vermont, three in New Hampshire, and two in Massachusetts, at a cost of \$12,700,000 with the states bearing the cost of \$2,700,000 for the land and \$80,000 annual charges for maintenance. The expense was to be borne proportionately, Massachusetts (50%), Connecticut (40%), and Vermont and New Hampshire, 5% each. An interstate commission was provided, made up of 12 members, three from each state, chosen by and paid for by each state.

The immediate objective was to control 7.6 per cent of the river basin. The title of the land which was to be leased to the interstate commission for 999 years remains with the state. In order not to create a superstate through the Commission and further to protect the states against encroachment by, and limit, the Flood Commission, Article VIII provided for special agreements between the sig-



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natory state and the federal Government.

Each state reserved unto itself "the benefit of water conservation, power storage, or power development that may be inherent in such reservoir site" and was prepared to stand the additional cost of such work over and above flood control. In every such case, an agreement was necessary with the federal Government which thus had final determination in the matter.

By the end of June, 1937, the four legislatures and governors had given approval, and states had provided for the necessary funds. The compact was ready for congressional consent. Senator Walsh of Massachusetts, on behalf of the other New England Senators, including Senator Brown of New Hampshire who later became the leader of the opposition, introduced the compact July 6. On July 22 the Senate Committee on Commerce approved the compact. In August the House Flood Control Committee also approved with reservations unobjectionable to the flood commission. Then came the first opposition. Chairman Frank R. McNinch of the Federal Power Commission sent letters to both of these committees complaining that the compact was

... a radical departure from the established policy of the federal Government with respect to the development and conservation of the water power resources of the United States ... would work a surrender by the United States of the federal interest in the water power resources of these streams which Congress has asserted since 1920 ... substitute for the present clearly defined and long established federal control over these power resources an uncertain, indefinite, and doubtful control based on the contingency of a possible future agreement between the United States and the signatory states ... raises grave considerations of national interest ...

It is evident that Chairman McNinch was not familiar with the type of waterways covered by the Connecticut compact which are all non-navigable streams. The federal act of 1920 gives the Power Commission authority over navigable waters and such tributaries as may affect them. The navigability of the Connecticut River is in no way adversely affected by the reservoirs in the compact.

On non-navigable streams, intent to construct a dam or other works by anyone, including a state, must be filed with the Power Commission which must make an investigation as to whether interstate commerce would be adversely affected. If not, the authority of the Federal Power Commission ends and construction proceeds upon compliance with state laws. States and municipalities are given preference under such conditions. An example is the power dam now building at Pittsburg, N. H., on a non-navigable stream to which the

Federal Power Commission finally raised no objection. Further, the compact was drawn in accordance with the Flood Control Act of 1936 which permits both flood control and power. Even Attorney Keebler of the Power Commission saw little to criticize in the compact but went to great length to explain changes necessary in the 1936 Act when he presented his opinion to the Power Commission.

The flood compact originally had the support of practically all the government officials in the four states. As soon as the McNinch attack occurred, an opposition bloc was formed with Senator Brown of New Hampshire and Representative Casey of Massachusetts, who were joined by Connecticut Representatives Phillips of Stamford, Citron of Middletown, Kopplemann of Hartford (the latter two from cities vitally affected by flood control) and later by Representative Fitzgerald of Norwich.

The fight was not on political grounds as Democratic Governors Cross and Hurley and Senators Maloney, Lonergan and Walsh joined the Republicans in fighting for ratification. Kopplemann declared the compact was the result of a "plot of utility companies" and of "enormous significance."

The Brown-Casey Bill, introduced on July 22, would permit any two or more states to enter into an agreement, provided all states' rights for water conservation, power storage or power development were conveyed to the United States. The Secretary of War would have the right to enter any state unwilling to join the compact and acquire lands *without its consent*.

Would boost state costs

UNDER this bill, the federal Government would require the states to pay not only for lands to be used for flood control but for property bordering on such lands to be used for eventual construction of power houses, switching stations and other operations necessary for a full program of water conservation. Competent authority has estimated that the cost to the states would be 68 per cent of the whole project.

This resolution brushes aside all states' rights and threatens the complete breakdown of state government. In the Connecticut Valley this would mean that Connecticut and Massachusetts could make a compact and then pay cash to the Secretary of War for the purchase of land in Vermont and New Hampshire in case the latter refused to accede to demands for reservoir sites. The Secretary of War could then acquire the lands without further ado. The powers proposed violate

the very fundamentals of American government from the Constitution to the present day.

Yet, in reply to a letter from Governor Cross urging approval of the compact, President Roosevelt backed the Brown-Casey Bill, and in part stated:

In the light of all the available facts, *I cannot approve any compact which deals with the water resources of the nation or their development.* It is my profound conviction that these matters are properly the subject of federal legislation and not interstate compacts and that the federal Government should preserve inviolate its plenary power with respect to them. (Italics supplied by the author.)

With this gesture, the President threw aside not only the Connecticut compact, but the 1936 Flood Control Act drawn up for the express purpose of creating interstate agreements. The Attorney General and the Federal Power Commission also made reports at the same time attacking the compact from a new angle. They demanded that all new projects under the 1936 Act be owned by the United States and that title should pass from the states that pay for the land to the federal Government. It was claimed that, if the compact was approved, discrimination and favoritism would be given to New England against other states participating in the federal flood control program.

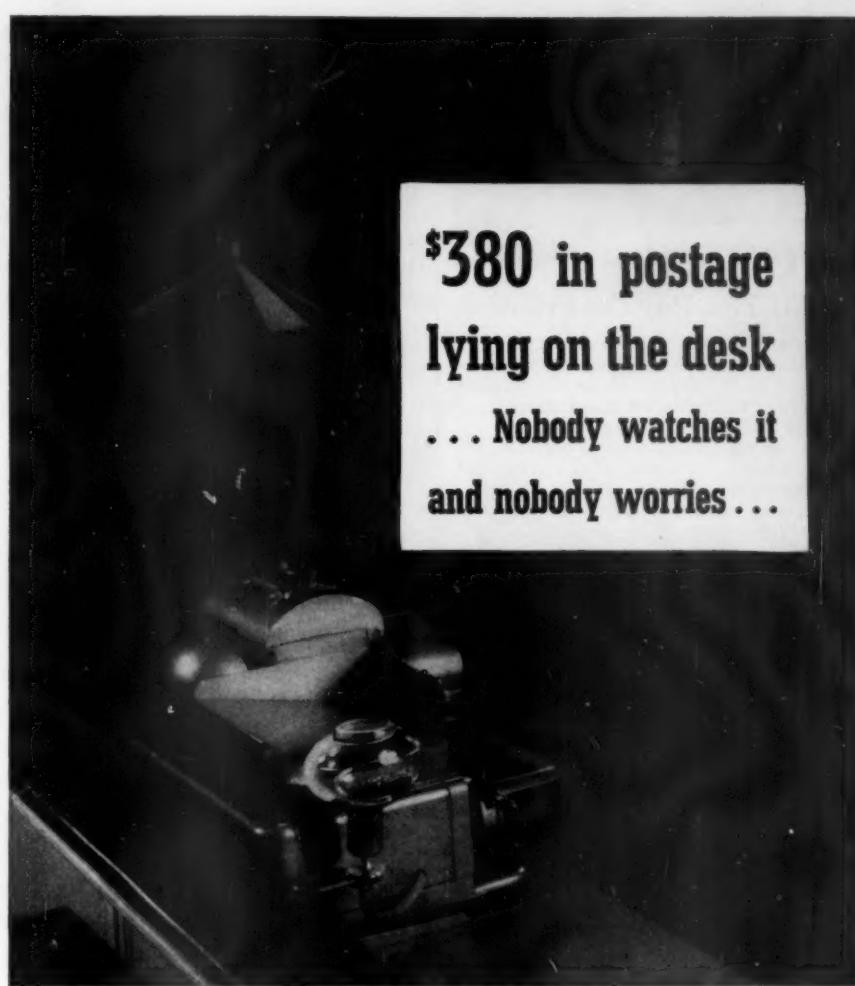
Commission was in the clear

THERE was further criticism that the states had given no money to the War Department for purchase of lands, although the Connecticut Valley Commission had the choice of that procedure or of providing the land through state purchase. On this point, the commission was evidently clear of any violation of the 1936 Act.

An interesting sidelight on the position of the Attorney General was revealed the next day. The Washington correspondent of the *Hartford Courant* reported that, in an interview, the Attorney General expressed great surprise about the statement. There was no record in his office of anyone issuing such an opinion.

Anyhow, the question of federal title fell like a bombshell on the compact backers. No one, including the War Department officials, who had sat in on the problem from the start, had raised the issue.

In the hearings before the House Committee on the Brown-Casey Bill and the compact, McNinch admitted that licenses might be granted where navigability was not affected even though power might be involved, and complained because no one had consulted the Federal Power Commission before the compact was drawn. As the



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War Department by law was the sole supervisory body, it is difficult to see why the Commission should have stepped in. This situation indicates the desire to push aside the fact-finding surveys of the Army for the rulings of politically minded counsellors.

Adherents of the compact cited the Muskingum (Ohio) Valley flood control development as an example where ownership remained with the state as well as the Mississippi Flood Control Act of May 25, 1928, while Chairman Whittington of the House Flood Control Committee remarked that local interests retained titles where they had purchased the land. (Public Doc. No. 391, 70th Congress.) Three reservoirs in Vermont, including one for power, and one in New Hampshire, all on non-navigable streams, had been constructed without final objection by the Federal Power Commission and in accordance with the Federal Power Act of 1920.

Other states took title

REPRESENTATIVE Phil Ferguson, a member of the House Committee, pointed out that, in 40 projects where allotments had been made, including reservoirs in several states, "the states are taking title to the land." The minority report of the committee, headed by Representative Jerry Voorhis of Cal. contended that

... Congress and its committees must be guided not only by the *letter of legal precedent* but by wise consideration of the effect of the proposed legislation upon the principles of government which have emerged or are emerging out of the necessities of actual situations confronting the American people... these matters properly to be governed by national policy and legislation... The time to establish once and for all the principle that all power development at federal Government dams is *subject to the control, not of the states, but of the federal Government through the Federal Power Commission, is now*. (Italics supplied by the author.)

This attitude might involve the people of Mr. Voorhis' own state or any other state where titles might be demanded in the future, even though they had not passed to the federal Government in the past. The righteous indignation under such circumstances is understandable. Thus the issues of any state in this fight involve every state in the union, not New England alone.

The Brown-Casey bill opened a far wider and more fundamental issue than mere flood control. The opposition to the compact was determined to extend federal control over alleged water rights in the various states regardless of the navigability of streams, the types of reservoirs, or existing statutes safeguarding states' rights.

On August 9, the President allotted

\$6,046,384 to the New England States for flood control which adherents of the compact termed "as bait for the surrender of states' rights." It became more evident that the federal power monopoly group was seeking to get a foothold for the establishment of a TVA in New England.

The fight thus resolved into a bout between the Washington power and title boys and the compact backers composed of both Republicans and Democrats.

The complete distortion of the compact as a power and public utility issue becomes ridiculous in the light of the facts. One of the 11 alternate sites for reservoirs is regarded by Army Engineers as having undeveloped economical water power potentialities. This statement was included in an official report to the Federal Power Commission. At Knightsville on the Westfield River in Massachusetts undeveloped water power exists which is equal to about one and one-half per cent of the total undeveloped resources in the whole valley.

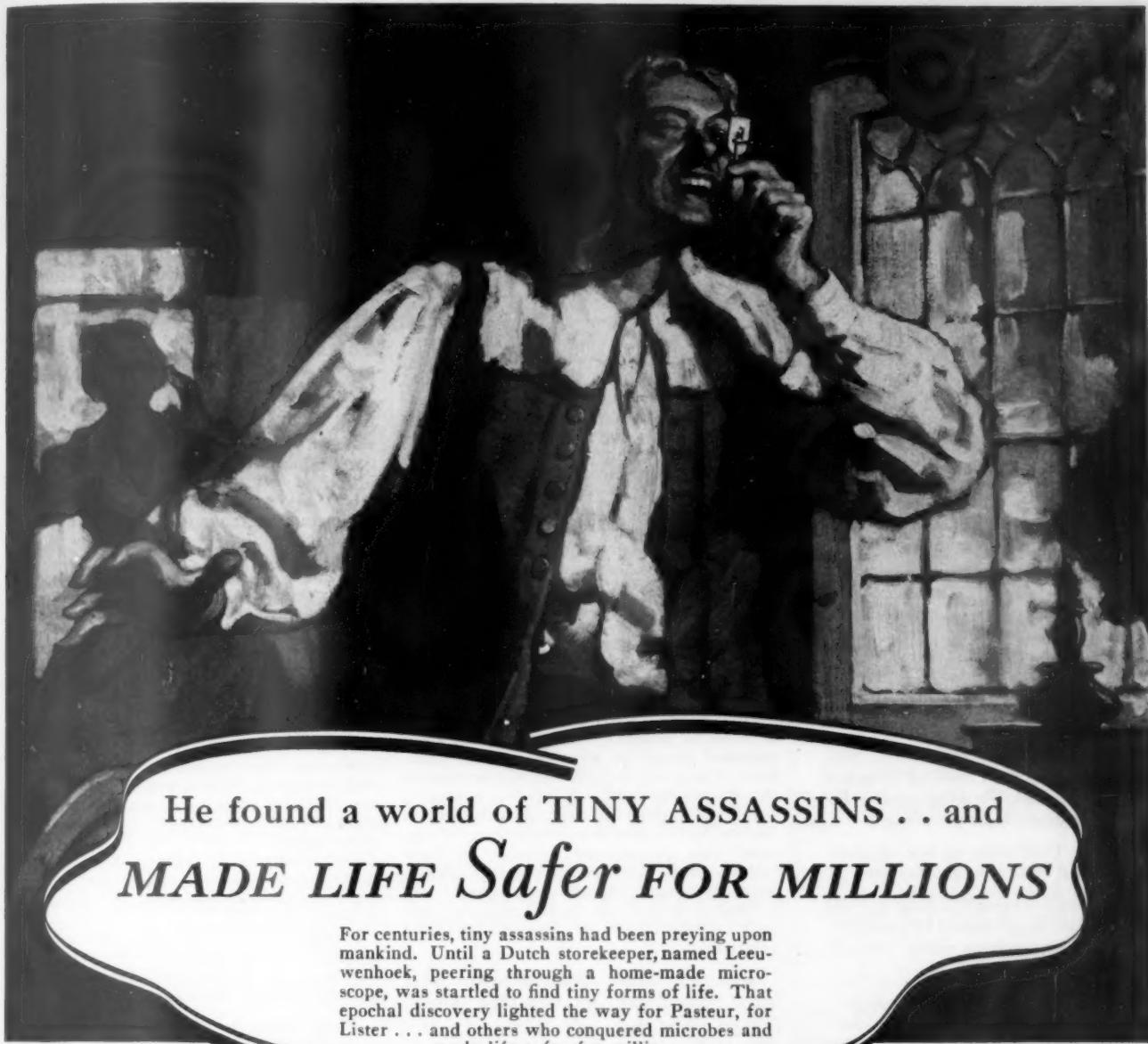
Why, under these circumstances, should the so-called power interests seek to force through the compact? Why should they try to fight against the almost universal opinion in these states against water power monopoly? Finally, the power provisions in the compact are confined to Article VIII and call for separate agreements between the states and the federal Government. The so-called power trust would not get to first base under such conditions.

Yet the opposing congressmen see in the compact, deep, dark plots by the utility interests.

In the middle of January, the Administration suddenly announced a new flood control and power policy. The President, who for months had been preaching economy, in a flood control conference with the New England governors who had requested an interview since November, proposed that the federal Government pay for the *entire* cost of all flood control projects, including lands, construction and maintenance. The states would thus be relieved of their share of cost under the compact covering lands and maintenance, but would surrender *title* to such lands. This policy violates the vital principle for which the Yankees had stood from the start. Thus, for a few millions, the natural resources of New England would be sold down the river.

The position of the President, embodied in the McCormack (Massachusetts)-Brown (New Hampshire) bill would amend the flood control Act of 1936, and involves at least four fundamental issues:

First, the idea of interstate compacts and federal-state financial cooperation



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under the 1936 Act would be abandoned for 100 per cent federal underwriting involving the dispensation of millions of pork barrel money. The field becomes unlimited for projects not covered in the Omnibus Flood Control Act. Already Senator Miller of Arkansas has introduced a bill covering the construction of 69 additional reservoirs and dams on the Ohio and Mississippi rivers at a cost to the federal Government of \$480,958,000—not included in the 1936 Act, but in conformity with the McCormack-Brown bill.

Second, the Administration bill, if enacted, would undoubtedly become retroactive calling for the payment of at least \$100,000,000 to states which have already contributed that sum to federal-state projects such as the Muskingum and Ohio Valley developments, or repayment of locally financed projects, like the Miami Valley, costing \$35,000,000 in 1912. It is reported that Senator Bulkley of Ohio has announced his intention of asking reimbursement in the case of local and state projects amounting to many millions of dollars.

Third, the proposed bill raises grave questions of states' rights. Suppose one of the states refuses to cooperate—can the federal Government seize the land? If so, on what basis? Surely not for national defense or health or even for interstate commerce where navigability is not involved.

Fourth, there is little doubt that, once the federal Government gains control of the title to state lands, it will also take immediate steps to promote federal monopoly in the generation and distribution of electric power—whether or not such business would be economical and practical. The Army Engineers in the case of the Connecticut River Valley compact, when pressed by the Administration for a review of the power potentialities of the reservoirs, announced January 11 that "all could be devoted to power development by abandoning their proposed use for flood control" but that the value could only be determined by market and other conditions.

Just so. The Yankees want and must have flood control which Washington does not care about in the slightest as long as there is any fantastic scheme of power development involved.

Compact passes Senate

ON March 25 the Connecticut compact was passed by the Senate without a record vote. Senator Lodge gained unanimous consent by a surprise move. It will undoubtedly be re-committed. The compact still lies before the House.

On April 6, James Roosevelt announced to members of the New England Flood Control Commission, in Washington for hearings on general national flood control, that a new national flood control message would be given before Congress adjourns. Apparently there is a deadlock between two determined forces. The Connecticut River Valley Flood Commission conceived the compact in good faith under the supervision of the War Department. The agreement was repudiated by the federal monopoly power group who want to pay the whole bill

in order to break down states' rights. The fight may be continued along various lines:

1. The McCormack-Brown Bill: If all the representatives and senators realized that the passage of this bill virtually meant the abolition of states' rights it would be in the waste-basket tomorrow. If Texas and Oklahoma could grasp that this entering wedge under "the preservation of natural resources" might result in the federal capture of their oil fields; or Oregon and Maine of their forests; or Nevada and Arizona of their silver mines; the bill would never pass. The trouble is that pork is mightier than principle. Even if the bill should pass, there would be litigation for years to come over its constitutionality. No one can imagine Vermont and New Hampshire permitting federal invasion of their lands.

2. Any national program looking toward economy and a balanced budget would seem impossible in view of the sluice gates that would be opened under the proposed bill. Perhaps even Congress might assert itself against such flagrant raids on the Treasury or the ire of the taxpayer finally become effective at the polls.

3. The compact will be steadily upheld by the states that signed the agreement. A reservation might be made similar to the one adopted by the House which permits the federal Government to withdraw from the agreement—a customary procedure. Amendments are void unless special sessions are called in Vermont, New Hampshire, and Connecticut which do not have regular sessions in 1938. The governors are strangely opposed to special sessions. The compact might win considerable support from other states which have interstate agreements of various sorts.

4. Defeat of the compact might result in the rejection of federal aid by the states and the construction of reservoirs at state cost.

5. The creation of an interstate corporation financed by the states for the purchase of lands, construction, and maintenance of works.

Some time ago, the President expressed the opinion that there was a No Man's Land between the federal Government and the states. Neither one could go further than a given point. The Connecticut Valley compact was built to suit exactly that sort of problem, protecting states' rights on the one hand, and retaining federal authority in the determination of the uses of flood control works. Perhaps the Connecticut compact may set the standard for a new kind of interdependence in American Government.

In the meantime, spring again brings on the danger of recurring floods and disaster. If great disaster comes with ruined farmlands, demolished homes, sickness, pestilence, and death, the responsibility will rest at the door of those politicians who sought to advance their own interests rather than vote for legislation to save life and land. The Yankees must have flood protection and will not sell their souls or give up their inherent rights in soil and state for 30 pieces of silver.

Alien "Isms" and American Education

(Continued from page 28)

In the totalitarian states, the youth have been captured by organizations, by slogans, by emblems, by eloquence, by uniforms, and by a state system of education. I note that a distinguished government official has recently stated that fascism cannot exist where there is education. The German youth have been captured in part by their education, by an education of rigid discipline; by drilling, ordering, commanding; by abolition of student activities; by being constantly told what to do, what to say, and what to believe.

When we compare the situation in Germany and Italy (and we could easily add Russia and Japan) with what we find here, the problem is appalling. We know that self-government is not natural. We know that it has to be learned. "Democracy is the most difficult of all forms of government."

An unfortunate contrast

IF THEN we recall the love of liberty of the American people of 1787, their lively fear of tyranny, whether over government, church or business; and contrast with this the fact that the youth of 1937 not only believe in greatly increased authority in government, but that about half fail to vote and many express their distrust in the democratic process—then something is vitally wrong.

If democracy is to survive, American youth must come to love America as ardently as German youth love Germany. They must catch the ideals of the Fathers. They must become able to see through the gilt on the gold brick.

They must learn to look for the happy life in the long run.

Our fathers loved liberty partly because they had lived under despotism. They desired equality because they had known a world of privilege. It is hard for Americans today to be "eternally vigilant," to love and fight for their rights when so few have experienced extreme tyranny or privilege.

The Nazi and Fascist youth are taught to love their chains. They are taught to despise democracy. American youth should come not only to love liberty, but to hate tyranny; to love equality and to hate privilege. They should come to view their country, not unfavorably as compared with some vague Utopia, but as a heaven on earth as compared with a



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The reader may consider these statements as more bombast from a pedagogue. If he thinks that let him try the following experiment:

Let him read Hitler's rabble rousing Address to the German Youth. Then compare with it the measured and stately farewell spoken by Stanley Baldwin to the youth of Britain.

You don't have to teach the first. Get a few uniforms, badges, salutes, parades, the emotions aroused, and youth will follow Hitler to its doom.

Fully to comprehend Baldwin and to come to espouse his ideals with equal enthusiasm and with resolve to render equal service beyond self requires a re-education from top to bottom. This is not an impossible task. It merely requires ability to teach, and sufficient contact with youth. Teaching the three R's is child's play by comparison.

The unfortunate thing about the present situation is that teachers feel that business either doesn't care or is actively in opposition. Teachers consider their work as a service which is highly patriotic. They think that the American public has given them a job to do. They have been told to give every child a chance, to give a high school education to all, to try to mold character, and to develop good citizens.

The teacher believes that the business community senses neither the importance of the ideal nor the difficulty of its realization. Teachers believe that, unless they are able to make their full effort, American youth will become easily seduced by the alluring government-and-social-life theories which have destroyed all tendencies toward democracy in many foreign countries and, if unchecked, will destroy them in the United States. They wonder why business does not see this and come to their aid.

They saw politicians during the depression take the lead in insensitive cutting of school budgets and business did not prevent it. When it came

to making savings, as Lady Astor put it, "it was women and children first."

To protect themselves if they were selfish, or to protect their children and their country if they were idealistic, a number of teachers joined and formed labor unions and adopted the tactics of labor. Labor believes in education and some teachers believe that capital does not. Thus arose those organizations of teachers, happily with relatively few members, peculiarly susceptible to the blandishments of the radical reformer, and ready and willing to dream the dreams of the Utopia-hungry visionary.

A vicious circle

THIS is all wrong. It is a vicious circle that spirals downward. The business man doesn't like to pay his school tax. He opposes the school. The threatened teacher runs to the willing arms of labor. In labor there are some radicals. A few teachers catch the lingo. Then the pupils come home with ideas of Oxford oaths or collectivism. Then business says that the aim of education is all wrong.

This process of degeneration, so far advanced in some other countries, has just begun in the United States. Except in a few cities it is without significance as yet. But the stage is set. This vicious circle must be broken—and broken at once. Business should realize first that the cost of education is not the fault of any teacher or institution or association. The fault rests in the American people who ordered the teachers first to give 12 years of schooling to everybody; second, to give additional education to anybody until he can get a job; third, to train to earn a living, or at least to give the fundamentals, and fourth, although every opportunity cannot be given to all, to err on the side of leniency in picking the sheep from the goats.

All this means rapidly mounting costs. If business does not approve this there is no profit in blaming the teachers or in joining in a sit-down strike.

It is the public that must be convinced. The teachers are only doing what they are told to do.

Business should realize in the second place that we are coming to have good schools with well trained teachers. Of course a high school system with 6,000,000 pupils, two-thirds of the boys and girls of high school age, cannot expect to yield the fine scholastic results of foreign secondary schools which accept only one in a hundred. Critics of education are quite mistaken when they assert that modern educational procedures are

the untested products of the imagination of crack-brained theorists. Thousands of competent investigators are patiently studying, testing, trying, and experimenting with what to teach, how to teach and how to organize the life of the school.

Most of the "untested" educational theories come from business men and college presidents who last were inside a school on their own commencement day. Men who will yield to the judgment of a lawyer on a legal question or to the judgment of a doctor on a medical problem should not, without long thought and hesitation, tell a teacher or professor how to do his work. This does not mean that the public should not tell the schools what their goals should be. This is their duty.

Business has a part

INSTEAD of opposition between business and education, there should be cooperation. It is the right of every citizen to curb public extravagance, but business associations need not think themselves the watch dogs of the treasury of education. The schools are the agents of all the people. Teachers are employed to do their bidding.

With few exceptions, teachers believe in a democratic government, a democratic way of life and in the enterprise order. To make the youth of the United States good members of such a society has always been the aim of the public schools.

That this task was more difficult than was at first realized, and that the American people were to be forced to turn back alien and subversive ideas on their own soil, were not in their calculations.

Few teachers foresaw that a severe depression would cast such alluring light on the ideas of those who prefer dictatorship to democracy and a planned economy to *laissez faire*. No one fully appreciated how difficult, how subtle, how hard to learn, to understand and to love were the ideals of America. This battle will be fought in our schools by our teachers. They should have the advice, the help and the unqualified support of all true Americans.

Business and education must get together. They must work shoulder to shoulder. They must join enthusiastically in this common task. Democracy must not perish. Free enterprise must not disappear. Communism and fascism are simple and natural, easy to learn and easy to teach. Only a most energetic educational program with the support of all the people can save the American dream.



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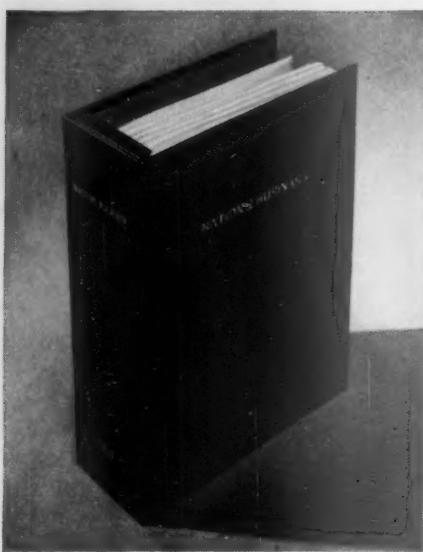
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Probably It Isn't Romance

(Continued from page 33)

By 11 o'clock that morning all of them had been sold. The store had to refuse more than 5,000 mail and phone orders for the rockers they had not wanted to buy.

Then, too, there are instances when anger rather than judgment influences business.

Several years ago the vice president of a New York store was approached by a salesman for a company that made small rowing machines for the home. This rowing machine had a simple wooden frame with a seat attached and rubber bands that stretched from the front to the "oars" at the side.

"Here, let me try it," the vice president said.

"Mr. Jones, I don't think that is quite safe. You see these rubber bands are not as strong as those we put in the completed machine. This is just a sample to show you what it looks like."

"O. K. But let me try it anyway."

Reluctantly the salesman put the frame on the floor. The prospective buyer threw off his coat and vest and climbed in to "row". With his first lusty tug, the bands broke and the oars came back and struck him in the stomach.

"Do you want to kill our customers, let alone myself?" yelled the infuriated Jones. "Take that thing out of here and don't ever come back!"

A year went by and the salesman was still trying to peddle his rowing machines.

Then he gingerly went to Jones' basement and approached the buyer. He didn't say anything about his earlier encounter with Jones. He offered 40,000 rowing machines at 69 cents each.

A contract was drawn up. The machines were duly offered to the public.

Here comes Jones

A WEEK later, Jones returned to New York from a buying tour of Europe. He got the newspapers when they were brought aboard at Quarantine. At once he turned to his store's ad. The first thing he saw was the ad for a rowing machine exactly like the one that had injured him.

Hastening off the boat and through the customs, he rushed to the store.

Blustering, shouting, he had his secretary summon the officials responsible for contracting for the machines. On the way up to Jones' office, the buyer stopped at the telephone board where orders were being

received. He looked at his particular chart and saw that already—and it was early—many machines had been sold. He took the slip from the operator and proceeded with the manager to Jones' sanctum.

The instant they crossed the threshold, Jones exploded at them:

"What are you trying to do? Kill our customers? One of those rowing machines almost killed me once. We'll have more damage suits on our hands than we can settle in ten years. The suits will break us, ruin our reputation and—."

The merchandise manager broke in:

"Mr. Jones, we sold 11,000 of those rowing machines last week with one ad. Frank here has phone orders for 593 more that have come in this morning. I don't know yet how many mail orders we have and the basement is crowded with customers."

"Oh! That's different!"

JONES' eyes popped. He took in a breath—and smiled.

"That's swell. How many did you buy? Forty Thousand! That all? Can we get any more? That's the way I like to see you fellows do business."

Eventually the store sold a few more than 38,000 of those machines. And there wasn't a damage suit in the lot!

But the breaks do not always favor the store owner. There are times when bad breaks occur, too.

Not long ago a fashionably dressed woman entered a New York department store.

She stopped first at the perfume counter, made a small purchase, charged it and put the wrapped article in her pocketbook.

Then she moved on to other counters where small articles were sold. In the course of an hour she made several purchases and in each instance charged them and placed the articles in her pocketbook.

As she was about to leave, a store detective laid his hand on her arm and told her he would have to detain her for shoplifting.

The woman appeared too astonished to speak.

By the time the detective had marshalled her to the office of a vice president she had found her tongue.

"What do you mean? . . . Why am I being humiliated like this? . . . I am an old customer who has had a charge account here for years! . . . My husband will sue you! . . . I will sue!"

"But," insisted the vice president,



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The New York Times editorial page is the daily creation of a group of experts. Their writings are universally recognized as authoritative contributions to progressive independent thinking in every department of human knowledge and activity—politics, government, economics, world affairs, labor, State and municipal affairs, science, education and the arts.

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in weighing the significance of each day's news and in giving trends and events their objective interpretation. Like its news columns, The Times editorial columns have an honest concern for truth; they scrupulously avoid bias or partisanship. The opinions expressed in them are independently arrived at and written "without fear or favor, regardless of any party, sect or interest involved."

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The New York Times

"ALL THE NEWS THAT'S FIT TO PRINT"

executive posts in department stores must actually start at the bottom and work up. There is no beginning in an elaborately furnished office, with a desk filled with pushbuttons and telephones, a secretary to command, for the merchandise neophyte.

Instead, all of them must follow a rigorous training course that takes them through every department. They must even serve their time in the warehouse, the packaging departments and on the trucks.

One young man, who has since become successful as a department manager, was working on a delivery truck. With him was the driver.

Late one afternoon they received a truckload of expensive furniture to be delivered to an address in the fashionable sector of New York. The slips for the furniture showed that a deposit of \$1,000 had been made, the balance being \$10,000, C.O.D.

The address given was a modest, two-story brownstone front house. The driver remained on the truck while the "student" went in to check the address.

Public Enemy, No. 1

IN ANSWER to his ring, a man with a familiar face appeared—familiar from recent repetition in the newspapers.

"I've got a load of furniture for delivery to J. M. Kirsch at this address. Are you Mr. Kirsch?"

"Yes, bring it right in."

The student executive walked out to the truck and told the driver:

"If that guy isn't 'Red' Malone, I'll eat my hat."

"Red" Malone at that time was current Bad Man No. 1 in New York police circles.

"Yeah?" questioned the driver. "Now what?"

"Well, I'll bite. Now what? You tell me the answer. We can't refuse to deliver the furniture and yet we have to take a chance with the toughest guy in town to get our money."

"Let me take a look," urged the driver, partly out of duty to his employers and partly from curiosity. He scrambled off the truck and rang the bell. The same face appeared at the door. The driver asked for instructions as to placing the furniture. Finally he said:

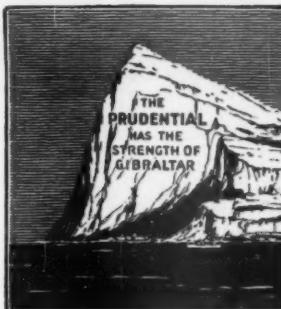
"This is a C.O.D. order, you know."

"Yes, I know," was the retort, "and I've got the money right here in my pocket. I'll pay for it the minute the last stick is in the house, but not until then."

The truck driver backed out. In the street again, he said:

"Well, kid, I guess we're in for it. Let's take the stuff in."

After more than an hour the last



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with business
executives

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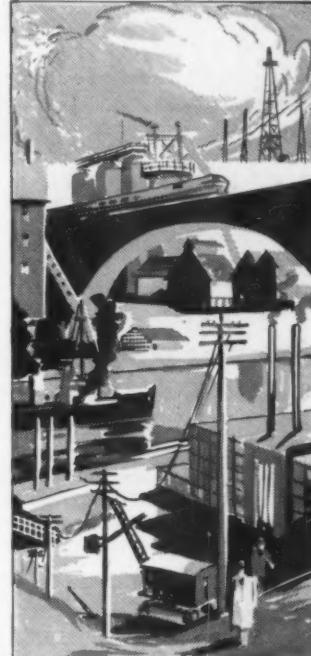
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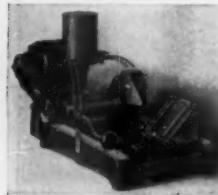
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impossible for modern business!

The business man can no longer disregard, or hope to remain unaffected by, what happens outside his own immediate sphere. There is a growing realization that agriculture, industry and commerce are really interdependent — that one's loss *cannot* long be the other's gain.

Established 70 years ago chiefly to serve Chicago's packers, the Live Stock National Bank is today uniquely able to serve all commercial America. For through its long and close association with meat packing — which is closely interwoven with both agriculture and all phases of industry — this bank *knows* both intimately — is able to interpret both to the profit of business everywhere.

Live Stock

National Bank of Chicago

UNION STOCK YARDS
ESTABLISHED 1868

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

piece of furniture was in the house. The young man reached in his pocket for the sales tickets and as he handed them to "Red" that worthy thrust ten \$1,000 bills into his hand, saying:

"Here you are. Count it and see that it is right. And you fellows did such a fine job here's \$50 each for you."

Three days later "Red" died in his Catskill Mountain retreat, the victim of a rival gang's bullets. Not long after that, "Red's" girl friend, from the front line of the chorus, auctioned off all the furniture he had bought her for less than \$400.

No tip from the challenger

NOT always, though, are delivery men so fortunate. This same pair delivered a load of furniture valued at almost \$15,000 to the then current heavyweight title challenger. The challenger, being an astute business man, had collected a big share of many large purses and there was another \$100,000 fight "just around the corner."

But there was no tip for the delivery men. Just a curt, "Thank you," and a few days later a complaint to the management that one of the men had been discourteous.

This same "student executive" finally came up for his tour of duty through the store. One of his first assignments from the personnel department was to the fireplace furnishings division.

An experience he had in that department may have helped him to tackle the problems that now face him as a manager in one of the largest retail establishments on the West Coast.

A customer explained that she had just bought a mansion on the New Jersey coast. There were 33 fireplaces and she wanted them all outfitted, the equipment for each to be different.

"What did you want to spend, madam?" he asked.

"That's up to you," she replied. "You come out to the place, make your selections and whatever you put in will be satisfactory to me. However, I don't want you to spend my money recklessly."

The next day, armed with catalogs, color schemes, room designs and accompanied by the home furnishings stylist, he fared forth to the mansion.

At eight o'clock that night they were finished. Climbing into the car for the return to New York, the salesman said to the stylist:

"Well, I thought I was in a fix. I've never handled as big an order as that before. And what I don't know about andirons and fireplaces would fill books. But thanks to your help, I think we've done a good job."

"To my help — what do you mean? This is the first time I ever tackled a job like this, too. I just 'yessed' you all day long. And to think we've put more than \$3,200 worth of stuff in there today. I'll say we've got crust."

The next day the equipment was delivered. Three days later came a letter to the store management praising the service. There was a check for \$50 for the salesman.

There is an old maxim that "the customer is always right." In many cases the customer tries to be "right" to his own advantage. But not in the following two instances.

A woman walked into the haberdashery department of a Middle Western department store, opened a package, took two white shirts from a box and laid them on the counter. She told the salesman:

"I would like to exchange these for two white shirts, size 14. These are 16's. I haven't got the sales slip."

Everybody puzzled

THE clerk who examined the shirts was mystified. They were of a type not then sold in that store, yet the firm name tag was in the neckband. The buyer, too, was puzzled.

"When did you buy these, madam?" asked the buyer.

"Twenty years ago," replied the woman.

"And you expect us to exchange them now?"

"I know it's an unusual request but they have never been worn, as you can see. My husband died in an accident just a few days after I bought them. I never took them out of the box until today. Recently I married again and my second husband wears size 14. Couldn't you exchange them? I really can't afford new ones."

She got two new white shirts.

The doors in one of America's largest department stores had been opened only a few minutes when an elderly woman appeared at one of the information desks on the first floor. She was plainly and neatly dressed and her white, wavy hair made a frame for her little black bonnet.

"Please," she said to the young woman behind the desk, "I want to return a percolator. Where do I go?"

She was directed to the complaint desk in the household furnishings department. There she stated her mission again:

"Let me see it, please," said the clerk in charge.

He unwrapped the package and out came an old, battered percolator, still clean and shining but, nevertheless, the worse for wear.

"Why do you want to exchange this?" the clerk asked.

"I bought this percolator here 47

years ago, just after I was married. The man who sold it to me told me that it would last a lifetime. Now, it is worn out. I would like a new one."

"But," argued the clerk, "don't you think you have had a lifetime of service from this one?"

"I'm still living," was the woman's rejoinder.

"Wait until I call the manager," the clerk said and went off with the percolator under his arm. Soon he was back, all smiles, to escort her to the manager's office.

By the time she reached the office, records of years ago were on the manager's desk. Looking up as she took a seat, he told her:

"Madam, I've worked in this department 33 years and I can't ever remember selling a percolator of this particular make. But our records show that long before that—at the time you say you bought this percolator—we did handle them. I don't know what the salesman told you, but if he said that it would last a lifetime, we shall certainly make it good. Now, what kind of a percolator do you want?"

"One that will last my lifetime," she replied, a twinkle in her eyes.

It was not long until she walked out of the store with a brand new percolator—an electric one this time—under her arm.

The one she returned now occupies the central position on the mantel in the office of the president of that store.

Has the F. T. C. Become a New NRA?

(Continued from page 17)

rules, the Commission lists for a particular industry the unfair trade practices outlawed by the acts of Congress and all illegal practices within the meaning of its own and the courts' decisions. In the second group are listed those practices which of themselves are not violation of law, but which the industry considers unethical, uneconomic—all objectionable practices which are not conducive to sound business methods. These rules include selling below cost, discriminations, so-called bribery, allowances of all sorts, unprofitable trade-ins, and so on through a long list.

The powers are really sweeping, and appear all the more so in the light of an old Supreme Court decision, handed down in 1920 by Justice McReynolds. It is the Commission's great charter, a sort of back-door entrance to wide operations since the statement of power came in an opin-

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Q. "Why do shippers prefer KIMPAC* for protecting merchandise in transit?"

A. "Because KIMPAC does the job. It's soft and resilient, cushions our products against shocks in transit that might otherwise damage fragile articles and expensive finishes."

Q. "Is there any proof that KIMPAC cuts shipping damage?"

A. "Yes—we know from actual experience that every article shipped is in first class shape when it reaches the dealer—ready for immediate display."

Q. "Can all types of merchandise be protected with KIMPAC?"

A. "Yes. KIMPAC comes in rolls, sheets and pads in a wide range of sizes for shipping anything, from easily broken toiletry articles to bulky furniture."

Q. "Does KIMPAC save time in the shipping room?"

A. "It does save time in the shipping room, because it's as easy to use as a piece of string. There's no fuss, no muss, no waste with KIMPAC."

"Rest your dogs and save your sox,
There's no need for walking blocks,
Spending money, time and pep—
Here's Downtown at your doorstep."



HOTEL
Lennox
SAINT LOUIS

OVER 50% OF ALL ROOMS \$3.50 OR
LESS. SINGLE, \$5.00 OR LESS. DOUBLE

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ADDRESSING MACHINES

Send today on business letterhead for systems bulletin that interests you—Payroll, Tax Work, Public Utilities, Publishers, Banks, Insurance, Laundries, and Coal Dealers.

Made in Cambridge, Mass. Sold everywhere. Look in your telephone book.

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1,000,000 volunteers in 3,000 communities . . . modern Minute Men on call for any community service from fighting a flood to building new teeter-totters for a children's playground . . . Chamber of Commerce members working, planning, dreaming 365 days a year to make their communities happier, healthier, wealthier places in which to live. Working and fighting now, as such Americans have worked and fought since Colonial days, for the fair, free functioning of American life and business. The times, alone, have changed—the spirit marches on!



SPEAKING FOR BUSINESS . . . America grew, flourished, prospered with a business civilization . . . achieved the highest living standards for its entire people that the world has ever known. Chambers of Commerce are always at work promoting a better understanding of business, and its service to the world.



WATER, WATER, EVERYWHERE . . . Louisville, Cairo, Hartford, all the cities ravaged by flood can tell you how these "minute men" answered the frantic call of "Help!" How they slaved to provide shelter, medicines, food for the refugees. How, after the waters receded, they pitched in to rebuild the ruined communities.

SMOKE SIGNALS . . . indicating "men at work." Bringing new industries to town, aiding old ones, encouraging small ones, smoothing out labor problems and trade wars, working constantly to provide more jobs and better business . . . just a few items on every Chamber's schedule.



MISS AMERICA, 1935 . . . Helping to provide parks, playgrounds, recreation centers, swimming pools and all such aids to the welfare of "little America" is a vital part of every Chamber of Commerce program.



FRIEND OF LABOR . . . Jobs can increase when industry can expand. By attracting industries to its community, and by aiding those already there to expand, the 3,000 Chambers of Commerce throughout the United States have literally created millions of jobs.



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It is the eleventh of a series appearing in The Saturday Evening Post and other publications.

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If the message interests you, we are prepared to supply, upon request, copies in poster size for bulletin boards, and in leaflet form for distribution. Mats for newspaper use and electros for house organs are available. Write NATION'S BUSINESS, WASHINGTON, D. C.

If you are interested in a special pamphlet on this subject, write: NATION'S BUSINESS, U. S. Chamber Bldg., Washington, D. C. No obligation.

ion nullifying a board order. But it is there, and it can be used to regulate wages and hours if need be. At least that is the considered judgment of more than one within the Commission's walls.

Indeed, the laws under which the Commission operates seem to include that power. Its business is to prohibit unfair trade practices. Cannot the Commission say to a business then?:

There, you are paying wages altogether too low; they give you much lower costs than your competitor. He is paying higher wages, working his men shorter hours than you; consequently you have an unfair competitive advantage over him because you can price your goods much lower. Adopt the higher wages and shorten hours.

More than one official within the Commission has thought of that. The Commissioners themselves have talked of it, but so far they prefer some direct orders from Congress.

But Justice McReynolds' decision is there to back them up if they want to try it. "Unfair methods of competition" are not defined by the statute, he said; the courts must ultimately determine what they include. "They are clearly inapplicable to practices never heretofore regarded as opposed to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy . . ." he said. Not clear? Well, glance again at the double negative, make it read "they are clearly applicable to practices heretofore . . ." and there is the answer. Low wages and long hours can be held "oppressive" and "against public policy." Indeed, they are against public policy as presently enunciated.

A new chapter

SO BEGINS a new period for the Commission. The future is not entirely clear, because experience under the new law must come before the course is clearly marked, the way pointed for business. In the past, the course has been consistent. And the Commission has lived up to Woodrow Wilson's conception of it as an "instrument of information and publicity" and "as a clearing house for the facts . . ." It has been a preventive organization.

Most of its cases have been settled by stipulation, after frank and thoroughgoing discussions with the concerns involved. It has had its trials, of course, and not a few differences within its own conference room, but, by and large, it has held to a steady, clear-cut course unimpeded by the turnover in members. It approaches the exercise of its new powers, again as Wilson visualized, in a spirit of acting "to meet business half way in its processes of self-correction."

Two copies or more, all in perfect alignment, clear, legible, distinct, typed over the Egry Speed-Feed—that's the modern, time-, labor- and money-saving way to write all multiple copy forms, with copies for all interested departments completed at a single writing.

Invoices, Production Orders, Remittance Advises, Way Bills, Back Orders, Bills of Lading, Requisitions, Acknowledgments, Voucher Checks, Purchase Orders, Collection Notices, Stockroom Records, Shipping Advises, Receiving Reports, Credit Memos, Service Charges and many other forms.



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and Egry forms are designed for all types and sizes of businesses to expedite the recording of all initial transactions; to give complete control and protection over all business activities; to eliminate losses caused by mistakes, carelessness, forgetfulness, temptation. Descriptions of Egry Systems—Tru-Pak, Com-Pak and Handipak Register Systems; Auditor and Credit Systems; Speed-Feed; Automatic Controller for Elliott Fisher; Automatic Controller for the Addressograph—and data on their application to your specific needs, will be sent on request. Demonstrations arranged in your own office without cost or obligation. Consult telephone directory for the name of Egry Sales Agent or write department NB-538.

Egry Systems Service Division

An organization of business form specialists who will be glad to develop systems for your special requirements, or suggest system changes and improvements to meet new conditions. Make use of this service freely, without obligation, of course.

The EGRY REGISTER Company
Dayton, Ohio
SALES AGENCIES IN ALL PRINCIPAL CITIES

They Knew There Was a Depression

(Continued from page 67)

ed with dealers who would agree to handle only their product, keeping their manufacturing centralized and delivering by truck over a radius of 200 miles.

The business done by the Cabell Dairy Products Company for 1937 is reported by Dun & Bradstreet as "in excess of \$300,000."

The organization was six years old in March, 1938. During the five years when they operated entirely in Dallas, Texas, a city of about 300,000 population, their volume of business increased from \$83,403.87 in 1932 to \$351,624.26 in 1936.

Sunday is the big day for ice cream selling. On the long, hot Sundays of 1933, the Cabells estimate that one out of every five persons in Dallas bought ice cream at their shops. Their business that second year was \$153,082.76. At that time about 40,000 persons, or approximately one-seventh of the population of Dallas, were on relief. In 1934, when 55,000, or a little more than one-sixth of the population, were on relief, the Cabells sold \$252,082.70 worth of ice cream and quality dairy products in Dallas. By 1935, their business had moved up to \$308,858.39 and has shown an increase each year since.

Only firm of their kind

GOOD management seems to be the answer to how they did it. They sold their quality products at a price which would meet that of competitors selling ordinary products and were able to do this through coordination of manufacturing and merchandising. As far as they know, they are the only dairy products company of their scope in the United States which both manufactures and merchandises all of its own products. They explain that it is customary for the dairy products company to sell to the retailer, which means two separate organizations and double overhead costs.

The Cabell plan of operation is worked out on the basis of manufacturing various allied dairy products in which the same ingredients are used, keeping careful watch on seasonal demand through their own selling outlets, and being able to make manufacturing adjustments to meet merchandising requirements.

Ice cream, with which they started, is still their best seller. From 12 to 14 flavors are available at all times. The price is still five cents for a cone and ten cents for a dish, with curb

service at all their residential shops. This meets the price of competitors and is regarded by the Cabells as the best of all advertisements for their package ice cream business, which has now far outstripped their cone-and-dish sale, in spite of the fact that they charge 25 cents a pint and 45 cents a quart against competitive prices as low as ten cents a pint and 25 cents a quart.

When the ice cream consumption falls off in winter, the surplus milk and eggs are used for cakes, the demand for which increases in cold weather. The Cabell cake recipes, like their ice cream formulas, are chiefly home-tested, old-fashioned ones that call for plenty of eggs, butter, milk and sugar. They are made in their own bakery, from their own products, and sold in their own shops, at an average price of 35 cents for a two-layer, six-inch cake. As an example of the importance of centralized selling outlets in keeping prices down, they point to their Golden Guernsey milk. By marketing it at their own shops they are able to sell it for 12 cents a quart, whereas they would have to charge a minimum of 17 cents a quart on a house-to-house delivery service.

Another item under the head of management which seems to merit mentioning is that, from the beginning, they have paid wages which compared favorably with any in their community, but they have kept their organization small. It varies between 145 in winter and 200 in summer. They have never had any labor trouble. The first person they hired, at a time when they explained that they didn't know how long they could pay him, is now their store supervisor and personnel manager. His name is Frank O'Bannon and he is 29.

The Cabell brothers, themselves, continue to do the work of about ten men each. They check everything from the new recipes to improved methods of delivery. At intervals Earle is sent around the country to study merchandising methods. He is still in charge of the production end, in addition to taking over all merchandising, including the expansion program, and in odd moments plans the advertising for the company.

This young man started out to be a lawyer, but after one year in college had to leave because of lack of funds. Having become interested in the dairy products business through his elder brother, Ben, he decided to learn more about it. The only job he could

get was washing milk cans, so he took that. Later he gave it up to take a job in the milk department of the concern; it paid less money, but he thought he could learn more there. He had moved through other departments and then branched out for himself, in a modest way, when the depression hit and his business folded up under him.

In view of his experience, this 31 year old executive has scant patience with his contemporaries who bemoan the lack of present-day opportunities and blame their failure to advance on the fact that they couldn't go to college. He believes there are plenty of opportunities for any young man with ambition who is willing to work, but he places strong emphasis on that "willing to work," pointing out that most of the wailing is done by youngsters who expect to get ahead by some magic formula which does not include work, and when they fail to do so, blame it on the depression and the lack of educational advantages.

A military family

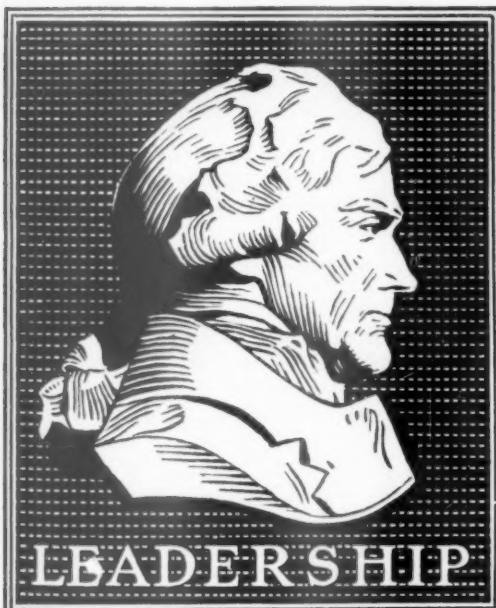
PEARRE, the third brother, is still in the regular army—post adjutant and captain of the Air Corps at Randolph Field, San Antonio. On the strength of his \$1,000 contribution to the launching of the business, he is vice president of the Cabell Dairy Products Company and a member of the Board of Directors. He is 34 years old. By staying in the army, he is following the Cabell family tradition of contributing at least one son of each generation to the military.

His grandfather, Gen. William Lewis Cabell, of Virginia, was graduated from West Point in 1850. He was a captain in the regular army when he sent his resignation to President Lincoln that he might offer his services to the Confederacy. He served throughout what the Cabells still prefer to refer to as "the War Between the States," and came out a brigadier general.

Then, penniless and with his military career ended, he came to Texas, studied law, and was admitted to the bar. Not long after his arrival he was elected mayor of Dallas, but when it came time to administer the oath of office it was discovered that, as a rebel officer, he had lost his citizenship. He telegraphed his former West Point classmate, Ulysses S. Grant, then President of the United States, and restoration of citizenship was arranged by presidential decree. One of the

Every sip helps somebody

You who drink Budweiser have bought millions of dollars worth of barley and hops from American farmers... paid millions more in taxes into federal, state and local treasuries... provided wages for workers in allied industries... kept railroad men on the move... brought profits to retailers everywhere and business and activity to properties long vacant... Yes, whenever you drink Budweiser, you are helping somebody... and helping yourself to a keener enjoyment of good living.



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• Neat, handy, useful and durable
...Brass frame, heavily chromium
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Smart . . . practical

Three blades in one

Instantly opened or closed with one hand. No broken fingernails. Blade locks easily in any one of 3 lengths . . . really three

GUARANTEED TO PLEASE

THE CHRISTY CO., Fremont, Ohio
Enclosed is \$1.00 for a Christy Sport Knife.
If I am not entirely satisfied, I may return
it and my \$1.00 will be refunded. (Ohio
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N B 2

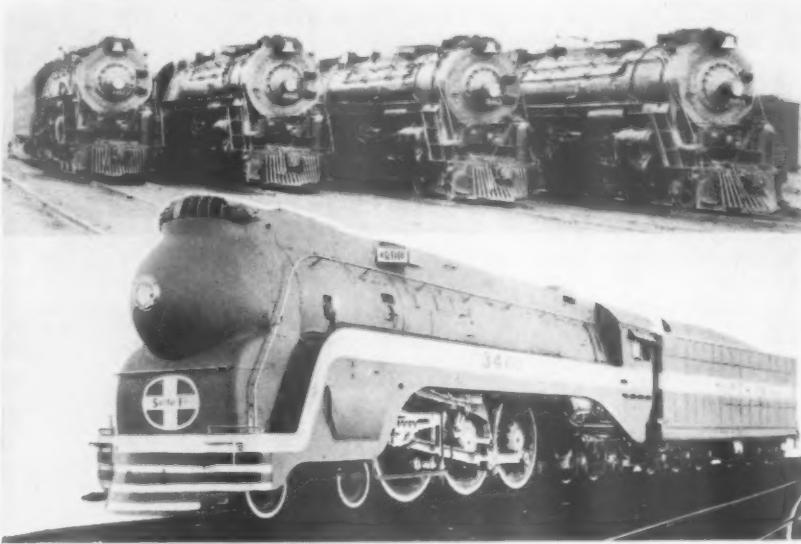
Actual Size

General's sons chose a military career, but his eldest, Ben E. Cabell, Sr., bought a farm near Dallas and went in for fine stock raising and dairy-ing on a small scale. It was here that Ben, Jr., Pearre, and Earle were brought up and received their first instruction in judging cattle and in dairying.

However, their father had not worked out their plan of merchandising and when he died in 1931 he left them an old and distinguished name and little else. What they have done, they have done on their own. The only outward indications that these modern young business men are Old South-conscious are to be found in the name of their company and the Southern Colonial design of their shops.

Ben and Earle Cabell are still so busy building up and expanding their business, which they see as just started, that they are somewhat surprised at outside interest in their success to date. As to their depression beginning, they are quick to point out that this was an ideal time to found a business like theirs. Aside from the fact that leases, labor and equipment were cheap, the basic commodities in which they had to deal—chiefly eggs, milk and sugar—were at an all-time low. They have a harder problem in keeping their retail prices low in a rising market, but producing much that they use—including feed for their cattle—helps them to meet this situation. They are, they admit, "children of the depression," but they grin when they say it.

BELLRINGERS



WESLEY BOWMAN STUDIO

Engines Still Have "Choo-Choo" Appeal

INHERENT in almost every American boy of small-town lineage has been the appeal of the thundering, smoke-belching steam locomotive that went roaring through his town at 60 miles an hour or made a five-minute stop to get a drink at the old-fashioned, wooden water tank.

The march of progress threatened to obliterate the metallic sounding "choo-choo" of the steam boiler for the rhythmic purr of a Diesel motor, but the giant, Steam, refuses to be cast aside. Dressed up in a new fighting suit he is out once more to do battle with his perpetual competitor, the electric spark, and maintain the respect of his rail-side audience.

To prove its staying powers the

above stream-lined steam locomotive, number 3460, recently hauled a Santa Fe mail train from Los Angeles to Chicago. It was the first time the entire trip has ever been made by steam power without changing engines at divisional points along the route. The Santa Fe has recently installed five other high-speed passenger locomotives, without the stream-lining, on its Chicago to La Junta, Colorado, run. Counting the 12 truck wheels under the tender, each of these engines is mounted on 26 wheels, six of them being drivers. The boilers of these locomotives are built of nickel steel plates. The steam pressure carried is 300 pounds to the square inch.

Shake Hands with Our Contributors

WHILE all the confusion over reorganization and pump-priming was taking place on Capitol Hill in Washington, the legislators took time out to pass the Wheeler-Lea Bill which you may have overlooked, but the chances are ten to one that you won't ever overlook it in the future. It's a law now and in *Has the F.T.C. Become a New NRA?* the author says the Federal Trade Commission now has the power to enforce most of the aims of the original N.I.R.A.

Mr. Benson is now on the editorial staff of an eastern daily newspaper. He was formerly Washington correspondent for the Minneapolis *Journal* and the *Farm Journal*.

James E. Warner, who raises the question of who can tell how much money Uncle Sam has in his till or on his books, is Washington correspondent of the *Providence Journal*.

Charles Morris Mills is an industrial counsellor who has served the New York State Department of Labor, the National Industrial Conference Board and several private concerns. He was recently field secretary of the Foreign Bondholders Protective Council.

Dr. William F. Russell is dean of Teachers College, Columbia University. He has made extensive studies of educational systems in Russia and China and is author of several books on education.

Ralph M. Chipurnoi is merchandizing manager for Bloomingdales in New York City. His collaborator, Harold Elliston, is on the staff of the *New York Journal-American* and met Mr. Chipurnoi while both were taking a vacation in Florida.

What is Coming in June:

Three thousand business men will gather in Washington during the first week in May at the 26th Annual Meeting of the U. S. Chamber of Commerce to talk over and project plans for the coming year. They represent little business, big business and in-between business. What they do and say will be reported in a 32-page supplement in NATION'S BUSINESS.

Samuel Crowther will tell how we are threatening to destroy our prosperity by a process of economic cannibalism.

One of this country's master salesmen, Saunders Norvell, will tell how the business community can do a better job of selling. His views are worth pasting in every sales portfolio.

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The Morass of Federal Finances

(Continued from page 23)
job, as the agent of the national legislature, is to audit the accounts of the spending agencies. The Administration's original reorganization plan would have stripped this agency, or even a proposed weak-kneed substitute for it, of any power save that of review after money had been spent.

Professionally the GAO is extremely skeptical, not to say distrustful, of the accounts other agencies submit. It is the bane of the lives of many government officials, and battling tooth and nail with one or more agencies almost continually. Its supporters maintain, however, that its mere "nuisance value," aside from the many actual errors and irregularities it has caught, can be reckoned in the tens of millions of dollars since it was established.

In late years the practice has grown up of exempting new agencies from GAO audit and control, and an older practice, given impetus by recent exemptions of new agencies, has been for some departments more or less politely to thumb their bureaucratic noses at the GAO and spend as they pleased and their respective consciences dictated—always taking care to build up a plausible case to appease Congress.

Sixteen governmental agencies are not required by law to submit their accounts to the GAO. Largest of these is RFC, which reckons its transactions in hundreds of millions, and its assets, recoverable or not, in the billions. Whether GAO control of its accounts would have improved the undeniably good work of the RFC is not for us to say—we cite the fact.

Twelve other agencies which are supposed to submit their accounts to GAO either quietly ignore the law or vehemently refuse to cooperate. Largest is the Home Owners' Loan Corporation, probably the largest real estate dealer and underwriter in world history, which quarreled with the GAO for a couple of years and finally announced it would audit its own accounts in its own way without GAO help or control.

The Administration reorganization plan has the merit of putting these 28 agencies under some sort of auditing control other than their own through its proposal for an auditing office in the Treasury as opposed to the congressionally controlled GAO.

The charge was made and not denied on the floor of the House recently that the Agricultural Adjustment Administration had made 25,000,000 rental and benefit payments,

involving more than \$1,000,000,000 in the past four years and that not one of these ever had been audited except by the AAA itself.

With no reflection on AAA book-keeping or personnel, it would appear rather certain that, with such a vast expenditure to such a huge number of people, there would be a correspondingly great opportunity for error, if nothing worse. A case in point is the Interior Department, where a minor official kept himself in expensive cars and apartments through operation of a CCC camp which existed only in his active mind and the pages of some of his account books.

As a matter of factual record, a test audit by the GAO of about 4,000,000 AAA payments showed about 16,000 in error. If not caught, these errors would have resulted in overpayments of \$162,469. Projected even on this basis, the amount of error on 25,000,000 payments in four years would be more than \$1,000,000.

Two quotations

SLOPPINESS of accounting in government, even in agencies over which the GAO exercises a nominal check, is well known. In this regard we give you two brief quotations, both of them from men who properly can be called New Dealers, and one of them from the cabinet department of Jim Farley himself.

Said William L. Slattery, comptroller and budget officer of the Post Office Department, to the House Appropriations Committee after four years in his post:

Since I have been in the Post Office Department we have installed the only accounting system it ever had, and that is not as good as it should be. It has only scratched the surface. . . .

Said A. E. Buck, an expert retained by the President's (Brownlow) Committee on Organization of Government, to the joint Congressional Committee on Reorganization:

There is no check on the collections of the Government except the internal checks provided by the major bureaus which collect the revenues, namely Internal Revenue and Customs. There isn't even an assessment book kept on the outside by an independent officer. . . . Probably the Treasury has the worst setup of any. That may be a rather extravagant statement, or it may appear that way, but it does have its accounting system terribly scattered.

Who is there brave enough to say, with these factors in mind, when a federal budget is balanced or what the assets of the United States are?

Labor's Dividend from Profits

(Continued from page 38)

than the institution itself. For instance, hundreds of thousands use a subway or other rapid transportation system in any large city. Suppose each person saves one hour a day by using that service. There are few among these thousands who cannot make at least a half dollar in that hour. If the fare for the trip to work and back is ten cents, then each person realizes a profit of 40 cents, and the community profits to the extent of that 40 cents multiplied by all the thousands of persons earning it. The transportation company's profits are infinitesimal by comparison.

In any competitive field, profits are a measure of service. Where the service is great, and efficiently rendered, profits are in proportion. Where the service is poor or unnecessary or inefficiently rendered, there are no profits—and there should be none.

Competition gets results

NO FORM of economic organization has produced results comparable to competition, in which the individual is given opportunity to express himself and to suffer the consequences of his follies. Competition is harsh, sometimes cruel, but it gets results.

Theorists, often hailed as men of vision, usually are looking backward, not forward. They tell us what was wrong in the past, proposing ideas to remedy the ills of bygone days. Business men, meanwhile, are meeting present conditions and problems by trying new ideas and discarding those that fail. They are accepting the challenge of the future with the resourcefulness and the ingenuity that enabled them to survive in business.

America today enjoys a place in the sun that is the envy of all the other peoples. American civilization is a fascinating enterprise. No satisfactory plan for the progress of America can be formulated by benevolent and disinterested men. Such animals do not exist in the earthly scheme of things. In this nation particularly we recognize that everyone has a right to be selfish and that agreements must be arrived at in terms of mutual advantage. In that way our Constitution was written and by such compromise we have achieved harmony and progress.

What progress demands, business must do; and what business demands America must do. What America demands for progress, the world must do.

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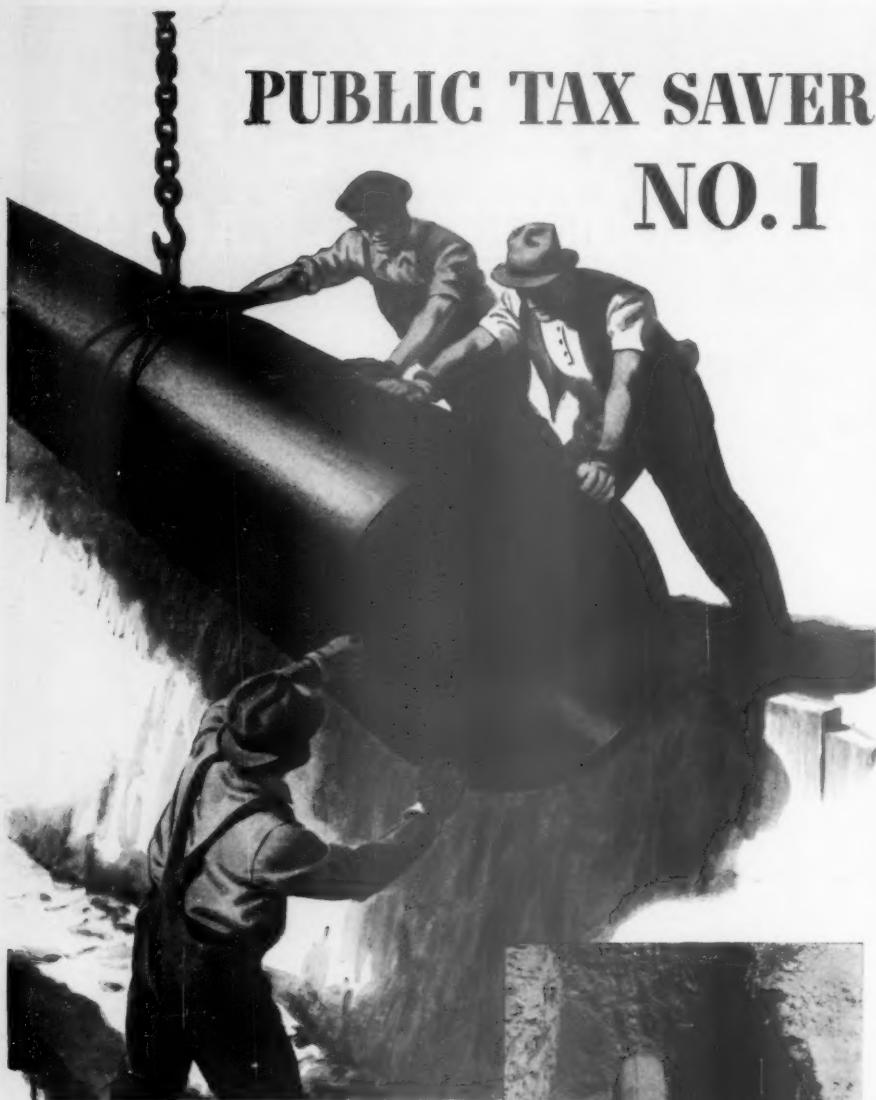
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